Austria	Sch20	Iran	Rls[illegible]	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.50	Philippines	Pso40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc175
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FM8.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr8.00	Lux	LFr60	Spain	Pta175
Germany	DM2.80	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr130	Nigeria	Naira35	Tunisia	Din0.900
India	Rs20	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Thursday May 30 1991

D 8523A

HONG KONG

Link with the US dollar to be kept

Page 7

World News

Ethiopian rebels shoot anti-US protesters

Soldiers from Ethiopia's main rebel group shot dead and wounded anti-US demonstrators in Addis Ababa a day after taking control of the capital. The toll was not known.

The violence came as Eritrean rebels announced plans to form a provisional government for Ethiopia's Red Sea province, taking it nearer formal independence. Page 20; Djibouti influx, Page 6

Congress chooses Rao
India's Congress party elder statesman P V Narasimha Rao, 70, from the south, was elected provisional party president in a move to patch up quarrels in advance of the last two rounds of polling in the general election. Page 20; Financial disarray, Page 6

Reprieves for 14
South Africa's appeal court reprieved 14 people, including an elderly black grandmother, after they had spent two years awaiting execution for the mob murder of a black policeman.

New York jail deadlock
Officials at Southport, New York state's toughest prison, tried to persuade inmates to release three guards held hostage for a second day as armed troopers stood by ready to use force if talks failed.

French curb phone-taps
The French government proposed measures to curb telephone tapping but said prime minister Edith Cresson could order phone surveillance.

Barcelona blast
A powerful explosion hit the barracks of the paramilitary Civil Guard in the town of Vic near Barcelona, killing at least one person and injuring many more.

Peking remembers
Peking University students defied tight security to hang posters out of windows in memory of people killed by China's army two years ago when it crushed a mass pro-democracy movement in Tiananmen Square.

Airliner riddle
The Austrian airliner that exploded over Thailand on Sunday may have to be pieced back together from thousands of scattered fragments to establish the cause of the disaster, the airline's founder Niki Lauda said.

Albanians open fire
Albanian police fired in the air and used water cannon to disperse a peaceful rally of more than 10,000 people in central Tirana. The rally was in support of hunger-striking miners. Picture, Page 3

Land law rejected
Hungary's constitutional court threw out a new law that would have provided financial compensation to the owners of property expropriated under the country's former Communist rulers.

Nepal's new cabinet
Nepal's first democratically elected government in more than three decades announced a 15-member cabinet. Page 6

Tanker explosion
An explosion on the Iranian oil tanker Alborz, undergoing repairs in Cape Town harbour, killed two people and more victims were feared trapped.

Channel fossil find
Channel tunnel workers found a 95 million-year-old fossil of a nautiloid – a squid-like creature – weighing 50lb and measuring almost a foot across.

By any other name...
Veterans of Leningrad's bitter three-year siege by Nazi forces in the Second World War are rallying against a bid by reformist politicians to restore the old name of St Petersburg. Lenin statue saved, Page 3

Business Summary

Iran close to oil deals with western companies

Iran is close to reaching accords with several western companies on investing in its oil production.

The French companies Elf Aquitaine and Total are understood to be in the final stages of negotiations and Italy's Agip is discussing investment in a gas project in the Queshm free trade zone. Page 20

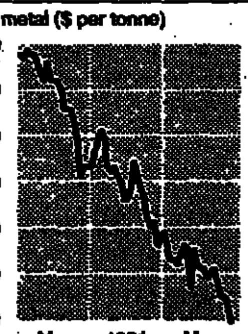
SOVIET UNION: Legislation designed to attract large-scale foreign investment to the country and help revive its ailing economy was given preliminary approval by the Soviet parliament. Page 20

FRANCE agreed a package of budget measures designed to trim public spending and harmonise its value added tax rules with the rest of the European Community. Page 2

ALUMINIUM: Japanese and US selling sent aluminium prices to life-of-contract lows on the London Metal Exchange

Aluminium

Cash metal ($ per tonne)



Source: Datastream

before late short-covering lifted values near the close. The cash position still ended the day $6.50 down at $1,264 a tonne, the fifth successive daily fall. Commodities, Page 30

SOCIETE Générale, French commercial bank, bought International Bank of Johannesburg, marking the first move by a European bank to return to South Africa since the lifting of a European Community ban on new investment. Page 21

ICL, UK-based computer manufacturer in which Fujitsu of Japan has a majority stake, confirmed that it will buy Nokia Data, loss-making information systems arm of Nokia, Finland's largest quoted company for $401m. Page 21

ASSURANCES Générales de France, French state-owned insurance company, announced a rights issue that is expected to raise more than FFr2bn ($340m). Page 22

QUEENS Moat Houses, pan-European hotel group, strengthened its continental base with an acquisition of 15 hotels for $79m and launched a $321m rights issue. Page 28; Lex, Page 20.

LATINA: Negotiations are almost complete on the sale of the Italian insurance company owned by Mr Carlo De Benedetti's group, to Fondiaria, the big insurer partly controlled by his cousin, Mr Camillo De Benedetti. Page 22

HONG KONG reaffirmed its commitment to the link between the colony's currency and the US dollar. It also may increase its quota of foreign workers as part of a package of measures to combat inflation. Page 7

DAISHOWA Paper, Japanese papermaker, announced a pretax loss of Y14.9bn ($108m) in the year ended March 1991. It sold assets to offset this loss and recorded a profit at the net level of Y6.86bn, down 19 per cent.

THE PHILIPPINES will cut its controversial 9 per cent import levy by August and scrap it by the end of the year. Foreign investments have fallen by 14 per cent since it was imposed in January. Page 4

President Bush calls for freeze on missile production and sales

Middle East arms curb sought

By **Peter Riddell** in Washington and **Hugh Carnegy** in Jerusalem

PRESIDENT George Bush has proposed a freeze on the purchase and production of surface-to-surface missiles in the Middle East and curbs on conventional weapons as part of a plan to control the spread of arms in the region.

Several countries in the Middle East already possess such missiles and suppliers will be asked to intensify export controls on equipment and technology which can be used to make them.

The controls would apply to the entire region, from the Gulf Co-operation Council states to the Maghreb countries along the Mediterranean coast of North Africa, as well as Israel and its neighbours.

In a speech to the US Air Force Academy in Colorado, Mr Bush also proposed initiatives aimed at eventually removing nuclear, chemical and biological weapons from the region.

The plan has been prepared after the end of the Gulf war three months ago in response to widespread international concern that the build-up of arms in the region threatens continued instability.

The proposals rely on a combination of exhortation and co-operation and self-restraint among leading arms suppliers.

Mr Bush is not seeking a complete ban on arms sales to the region. He has, however, urged that the five permanent members of the United Nations Security Council (the US, Soviet Union, China, Britain and France), who are among the largest sellers of arms, should establish guidelines for restraint on sales of conventional weapons. This would permit "states in the region to acquire the conventional capabilities they legitimately need to deter and defend against military aggression".

Arms suppliers would be required to notify each other in advance of certain sales, avoid "destabilising" deals and tighten export controls on where the arms are going.

The US has proposed a meeting of the five permanent members "at senior levels in the near future", to discuss guidelines for conventional sales as well as controls on weapons of mass destruction and related technology. France has agreed to host an initial meeting.

A key test will be whether China agrees to back the plan, since on Monday Mr Bush imposed restrictions on computer and satellite exports to China because of concern over its sales of missiles to Pakistan and of other arms to the Middle East.

The US proposes that all countries in the region should refrain from producing or importing weapons-grade material for nuclear weapons, such as enriched uranium or separated plutonium. They should also sign the nuclear non-proliferation treaty and place all nuclear facilities under international inspection. This is presented as the first step towards a regional nuclear weapons free zone.

Continued on Page 20

Arab brothers divided, Page 6

George Bush: proposed freeze on ballistic missiles in the Middle East

Wörner warns Europe not to weaken Nato

By **David White**, Defence Correspondent, in Brussels

EUROPEANS wanting a more independent say in their collective security must guard against undermining Nato during the most radical change in the alliance's 42-year history, Mr Manfred Wörner, the Nato secretary-general, warned yesterday.

The warning came after a two-day meeting of Nato defence ministers at which they endorsed plans for integrating the core of Nato's shrinking armies into multinational formations. In a communiqué, the ministers said Nato would remain "the essential forum" for discussions affecting its members' security and defence commitments.

Mr Wörner, predicting that the European Community would discover practical obstacles in the way of building a military role for itself, said the question of Nato's "European pillar" would be one of the main themes at a foreign ministers' meeting in Copenhagen next week.

Mr Dick Cheney, the US defence secretary, warned European governments that whatever they decided should be done "in a way that strengthens rather than weakens Nato".

The US now appears likely to participate at all levels of the new Nato force structure, including the planned spearhead force of ground troops known as the Rapid Reaction Corps. In the run-up to this week's meeting, it had appeared probable that this force, under a British commander but with a multinational staff, would be virtually all-European. Mr Cheney confirmed that the US was discussing not only air support for the new corps – such as transport aircraft and helicopters – but also participation by US combat troops.

Mr Wörner emphasised that the rapid deployment corps was designed to be used inside Nato territory and could be employed further afield only if all 16 Nato allies agreed. This would include France, which does not belong to the alliance's military organisation and is not taking part in the new multinational forces.

It was "up to the Europeans" whether they should provide for deploying their own forces in circumstances where Nato did not want to, or could not, act, Mr Wörner said. But he warned that "it would not make sense" to create a duplicate military structure in competition with Nato's. It would also be expensive.

Defence ministers yesterday ordered an urgent review of Nato's command structure to match the changed military situation in Europe.

Mr Wörner thought it "highly unlikely" that Nato would appoint a European as its supreme commander in Europe – a post that has aways been filled by a US general. Mr Cheney said it would be "appropriate" to keep an American in the job. In spite of sharp cuts in US troop levels in Europe, Washington intended to maintain "significant forces" and a substantial capacity to bring in reinforcements.

Ministers warned that the slimming of Nato forces should not be expected to reduce members' defence expenditure substantially in the short term. Adaptation would inevitably cost money, they said.

Mr Wörner added that modernising forces would be "sometimes expensive, sometimes very expensive".

The ministers, meanwhile, issued a fresh appeal to Moscow to resolve the issues delaying ratification of November's Conventional Forces in Europe treaty.

Banking on Gorbachev, Page 3
Editorial Comment, Page 18

Japanese protest over Cresson's trade attack

By **Stefan Wagstyl** in Tokyo

JAPAN delivered a rare diplomatic protest yesterday by objecting to attacks on its trade practices by Mrs Edith Cresson, the new French prime minister.

Mr Nagao Hyogo, director-general in charge of European affairs at the Japanese foreign ministry, summoned Mr Loic Hennekinne, the French ambassador, and told him Mrs Cresson's remarks were "inappropriate" and might "adversely affect friendly relations" between the two countries.

Mr Hyogo referred specifically to press interviews Mrs Cresson has given since becoming prime minister, in which she said the Japanese trade system was utterly different to that in Europe.

She has also accused Japanese companies of selling goods at high prices at home to finance cheap exports and has said the Japanese market is "hermetically sealed".

Japan's protest is in stark contrast to the passive way in which it usually reacts to attacks by foreign politicians.

The US ambassador has never been summoned in this way, in spite of criticisms of Japan by some American politicians in recent years, including comments by Mrs Carla Hills, the US trade representative.

Japanese ripostes normally come in the form of public comments to journalists from senior government officials.

The treatment of Mrs Cresson's case seems to be different because she is prime minister and because she is notably wide-ranging in her attacks.

At yesterday's meeting, Mr Hennekinne promised to relay Japan's message to Paris. He was told by Mr Hyogo: "We cannot help but be shocked by the remarks of prime minister Cresson . . . and believe they are inappropriate for the development of friendly Japanese-French relations."

Japan's protest came on the day Mr Toshiki Kaifu, the prime minister, announced plans to open a Japanese consulate in Strasbourg, home of the European parliament.

Japanese officials believe relations with the European Community could improve after a visit to Tokyo last week by Mr Jacques Delors, the EC president. Mr Delors said there were differences over trade between the EC and Japan but he avoided arguments with Japanese officials.

GEC and Thomson to combine on advanced radar development

By **William Dawkins** in Paris, **Paul Abrahams** in London and **James Buxton** in Edinburgh

THOMSON-CSF and GEC-Marconi, the French and British defence electronics groups, plan jointly to develop and make advanced radars for the generation of fighter aircraft after the European Fighter Aircraft (EFA).

The groups expect their joint venture concern, GEC Thomson Airborne Radar (GTAR), which will be based in Paris, to challenge leading US defence electronics contractors in the advanced radar market.

The move was announced yesterday and has been supported by the French and British defence ministries. It comes just over two months after the French company and British Aerospace shelved plans to merge their missiles businesses because of the sharp changes in the defence market's needs.

Mr David Fletcher, deputy managing director of GEC-Marconi, said in London that the European market for military radar equipment would only support one significant supplier. This was only the latest of a number of cross-border deals that GEC was putting together, he said, adding that more would be announced this year and next.

"We cannot make acquisitions of politically sensitive companies in other countries, even though we can afford to do so," said Mr Fletcher. "This is the only way forward."

Mr Alain Gomez, Thomson's chairman, speaking in Paris, said he did not expect the plan would have to be considered by Britain's Monopolies and Mergers Commission. Mr Peter Lilley, UK trade and industry secretary has referred four takeovers by French state-controlled companies to the MMC over the past year, including the abortive British Aerospace proposal. All were cleared.

Mr Gomez said the radar project was unlikely to cause distortion because a market for such an advanced product would not exist until the next decade.

GTAR aims to develop so-called active array technology, which requires "several billion francs" of investment, say Thomson officials. Mr Fletcher said the new group would seek significant funding from the French and British governments to assist the programme to demonstrate the radar's feasibility.

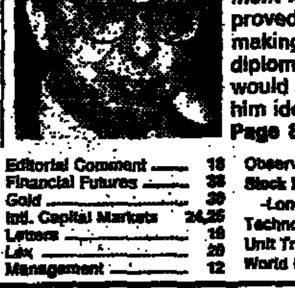
He refused to give a figure for the cost of the 10-year project, but said it would be "very expensive". EFA's radar took six years to develop and cost £300m.

The Anglo-French technology would provide radars with significantly better range and reliability as well as an improvement in the number of targets that could be tracked, he said. The group would be in the same league in advanced radar with Westinghouse of the US, Texas Instruments and Mitsubishi-Electric of Japan, which are all developing similar technology.

The bulk of GEC-Marconi's part of the joint-venture work will be carried out by GEC-Ferranti Defence Systems, the former Ferranti subsidiary which GEC acquired in January 1990.

CONTENTS

The economy minister facing up to an unenviable task



Marcilio Marques Moreira has to win friends at home and abroad for a Brazilian government which has so far proved expert only at making enemies. His diplomatic training would appear to make him ideal for the job Page 8

MARKETS

STERLING
New York lunchtime: $1.733
London: $1.733 (1.745)
DM2.96 (2.9625)
FFr10.0375 (10.0675)
SFr2.5325 (2.5225)
Y239.25 (240.5)
£ Index 91.9 (92.0)

GOLD
New York: Comex Jun $361.2 (363.7)
London: $361.45 (361.0)

N SEA OIL (Argus)
Brent Jul $19.275 (19.45)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime: DM1.7112
FFr5.807
SFr1.46
Y137.95
London: DM1.7085 (1.698)
FFr5.7925 (5.77)
SFr1.461 (1.4455)
Y138.0 (137.85)
$ Index 65.5 (65.7)
Tokyo close: Y137.6

US lunchtime rates
Fed Funds $5\frac{3}{4}$%
3-mo Treasury Bills: yield: 5.61%
Long Bond: $98\frac{7}{32}$
yield: 8.28%

STOCK INDICES
FT-SE 100: 2,492.9 (+13.2)
FT Ordinary: 1,946.9 (+9.9)
FT-A All-Share: 1,199.48 (+0.4%)
New York DJ Ind. Av. 2,954.67 (+5.81)
S&P Comp 382.48 (+0.54)
Tokyo: Nikkei 25,495.41 (+104.74)

LONDON MONEY
3-month Interbank: closing $11\frac{7}{16}$% ($11\frac{7}{16}$)
Liffe long gilt future: Jun $90\frac{21}{32}$ ($90\frac{17}{32}$)

French VAT adjusted and spending cut

By George Graham in Paris

THE French government yesterday agreed on a package of new budget measures designed to trim public spending and harmonise France's value added tax (VAT) rules with the rest of the European Community.

Mr Pierre Bérégovoy, the finance minister, presented a new programme of FFr6bn (£590m) of spending cuts – to add to FFr10.2bn of cuts already decided in March – in a bid to keep the budget deficit close to its target of FFr80.7bn.

He announced increases in the VAT rates applied to sectors such as flowers, building land and artworks which are expected to raise around FFr2bn of extra revenue in the last six months of this year.

At the same time, however, Mr Bérégovoy said VAT on cars would be cut to the standard rate of 18.6 per cent from January 1, 1993. The government has already trimmed VAT on cars several times, but the rate of 22 per cent is still one of the highest in the EC.

The EC hopes to bring all member states' VAT rates into two bands. For France, this would require raising its reduced rate and lowering its standard rate.

Mrs Edith Cresson, the new prime minister, has made it clear since she took office two weeks ago that she dislikes raising indirect taxation, on the grounds that it bears more heavily on the least well off.

A government statement after yesterday's cabinet meeting said that even if these VAT measures would result in an increase in indirect taxation this year, over an 18-month horizon they would lighten taxation by FFr3.8bn.

The statement made it clear that the government is maintaining the guidelines for the 1992 budget sent out in April by Mr Michel Rocard before he was replaced as prime minister by Mrs Edith Cresson: a budget deficit maintained at around FFr80bn, spending limited to the anticipated rate of inflation, after two years of real increases in government expenditure, and a freeze on government employment.

The government's margin for reducing taxation has been severely limited by the slowdown in French economic growth, which has greatly diminished tax revenues this year.

When the 1991 budget was drawn up last September the government based its estimates on forecast growth of 2.7 per cent. It then revised this projection down to 2.0 per cent, and Mr Bérégovoy this week said growth was unlikely to exceed 1.5 per cent. OFCE, the independent economic forecasting unit, expects no more than 1.3 per cent.

● Ms Edwige Avice, France's minister for co-operation and development, said yesterday that debt swaps could be used to fight a wide range of environmental problems including poor sanitation in Third World cities, Reuter reports from Paris. Under debt-for-nature swaps a non-governmental body buys Third World debt at a discount and sells it to the debtor country to fund nature protection schemes.

Mr Engholm (centre) is congratulated on his election by Mr Willy Brandt (right), SPD honorary chairman, and Mr Hans-Jochen Vogel, former party leader, yesterday

Engholm takes reform path

By David Marsh in Bonn

MR BJORN ENGHOLM, who was elected yesterday as the fifth post-war leader of the German Social Democratic Party (SPD), appealed to the party faithful to prepare to take over the reins of power in Bonn.

In a 90-minute speech at the party's congress in Bremen, Mr Engholm set out his agenda for a reform-minded SPD government which would overcome the social problems stemming from welding together east and west Germany.

Mr Engholm spoke out for changing the German constitution to allow German troops to take part in peace-keeping missions under the auspices of the United Nations.

The SPD policy line is crucial because the Christian Democrat-led Bonn government cannot attain the necessary two-thirds majority in the Bundestag for a constitutional amendment without some SPD support.

His proposal to limit Bundeswehr deployment to UN peace missions goes less far than the government wants – but too far for some of the party's left wing, who oppose any military involvement outside Nato.

Mr Engholm, a youthful 51-year-old, has two solid advantages. He is better-looking than Mr Hans-Jochen Vogel, who has presided over the SPD's fortunes with well-organised stolidity during the last four years. He also carries more appeal for the German middle-class than the firebrand figure of Mr Oskar Lafontaine, the SPD candidate for last December's general election. Mr Lafontaine, who declined the chance to become party chairman, lost the election resoundingly despite subsequently being proved right about the cost of German unity.

Mr Engholm, prime minister of Schleswig Holstein, will have to convince critics that he is a powerful enough figure to dislodge Chancellor Helmut Kohl from office.

In spite of the problems of absorbing east Germany, Mr Kohl's strategists are convinced the eastern economy will improve in time for the conservatives to win again at the general election in 1994.

Echoing the views of the party's elder statesman, Mr Willy Brandt, Mr Engholm said yesterday that the ending of division represented "a piece of historic good fortune which a people only too seldom enjoys." But he criticised the Bonn government for concealing the true costs of unity.

Rescheduling of Soviet bank debt thought likely

By Anthony Robinson, East Europe Editor

THE Soviet Union is heading for a balance of payments crisis before the end of the year which "increases the likelihood of a commercial bank loan re scheduling in the near future", Salomon Brothers of New York warns in a report by its sovereign risk assessment group.

"Up to now US investors have treated the Soviet Union as a simple A or triple B investment grade credit risk. But we have now downgraded the Soviet risk to a low double B sovereign credit similar to Mexico or Venezuela," Mr Dirk Damrau, vice-president of the group, said yesterday.

"The latter are typical of countries which have rescheduled in the past but are now on good terms with creditors. The problem is that the Soviet Union is moving in the opposite direction and could fall lower in the non-investment grade category over the next year."

The $1.5bn in international bonds issued by Vneshekonombank, the revamped foreign trade bank, since 1988 will probably continue to be serviced, the report says. But "any foreign currency obligations not explicitly guaranteed by the Soviet government, with additional guarantees by the appropriate republic or regional government, are already in question."

Lending by commercial banks has already dropped from 66 per cent of a total $54.5bn Soviet external debt in 1989 to an estimated 53 per cent of the $57.5bn total in 1990. The share of bank lending is expected to drop further to 41 per cent of the estimated $64bn total debt in 1991.

The figures indicate the urgency behind Soviet attempts to draft a new economic plan and take part in the G7 summit in London.

Germans signal end to troop housing row

By David Marsh in Bonn

AN END to the row between Bonn and Moscow over building homes for Soviet soldiers was signalled yesterday when the German government said that 60 per cent of orders for the construction venture had gone to German companies.

Referring to the first batch of four projects agreed with the Moscow government, Mr Jürgen Möllemann, the economics minister, gave the figures at the weekly cabinet meeting. More than half of the orders so far awarded to German companies will benefit hard-pressed building concerns in the east of the country.

Mr Möllemann visited Moscow at the beginning of the week to try to reach a compromise in a disagreement over involvement of German companies in carrying out DM7.8bn ($4.56bn) worth of contracts to build homes for Soviet troops departing from east Germany.

The German government earlier this month expressed anger that its construction groups had been excluded from initial orders, awarded to low-cost Turkish and Finnish companies.

The construction projects are a key part of the overall agreement reached between Bonn and Moscow on German unification.

Germany launches high-speed trains

EUROPE IN BRIEF

German railways yesterday inaugurated a new generation of sleek high-speed trains, in an effort to lure travellers away from congested roads and airways, Reuter reports from Kassel.

Five new inter-city express trains with 4,000 guests on board converged on the central city where President Richard von Weizsäcker launched the service. It will begin on an hourly basis on the Hamburg to Munich route, with the first train going into general service on Sunday.

The trains will travel at up to 280 km per hour (175 mph), cutting the journey time on the 540 km (337-mile) Hamburg to Frankfurt line by one hour to 3¼ hours. The time of the journey from Stuttgart to Mannheim will be halved to 40 minutes.

Portugal expands privatisation

Portugal yesterday expanded its privatisation drive with the sale of the state's remaining 51 per cent stake in insurance company Aliança Seguradora SA, Reuter reports from Lisbon.

Market sources said an international consortium had shown strong interest in the sale of the 1.53m shares. The group – comprising French insurance company, Union des Assurances de Paris, Portuguese construction company, Mague SA, and state holding, Investimentos e Participacoes Empresariais SA – already holds 30 per cent of Aliança and would probably gain control of the insurer, they said.

Greece faces public sector strike

GREECE'S largest union, the General Confederation of Greek Workers (GSEE), has called a 24-hour strike today to press demands for higher wages for its more than 1m members, Reuter reports from Athens.

Work at public offices was expected to be disrupted, as were public hospitals and services such as electricity, telephones and mail. Buses, trains and employees of the state-owned Olympic Airways were expected to join the strike. The unions wants salary rises for 1991 to match inflation, now running at 21.5 per cent. The government has offered around 14 per cent.

Fiat-Alcatel link is approved

The European Commission officially approved plans yesterday for a significant car battery alliance between Fiat and France's Alcatel Alsthom, Reuter reports from Brussels.

The Commission, which struck a deal with Fiat last week to stop it cornering the French replacement car battery market, gave the go-ahead to the Italian company's components division Magnetti Marelli to take over Alcatel's CEAC battery subsidiary.

Zhivkov trial set to resume

The trial of Bulgaria's ousted communist leader, Mr Todor Zhivkov, will resume next month after a six-week break because of his ill health, press reports said, Reuter reports from Sofia.

Mr Zhivkov, 79, who was ousted from power in November 1989, went on trial in March on charges of misappropriating state funds. Proceedings were broken off in mid-April when he fell ill.

Slovenes 'stole armoured cars'

The Yugoslav army accused the republic of Slovenia of stealing four armoured vehicles and issued a stern demand for their return, Reuter reports from Belgrade.

An army statement said armed men under the leadership of the republic's Defence Ministry had stolen the vehicles on Monday from a factory in Maribor, near the Austrian border. It was the latest conflict between the Yugoslav army and Slovenia which plans to proclaim its independence next month.

Car bomb at Corsican council

A car bomb, apparently planted by Corsican separatists, wrecked the headquarters of an elected council on the French Mediterranean island yesterday, police said, Reuter reports from Ajaccio. No injuries were reported in the blast at Upper Corsica's general council, which deals with budgetary matters.

Fertile minds claim success

A Dutch biotechnology company says it has found a way of reducing the environmentally damaging phosphate content of manure, Reuter reports from Amsterdam. The company, Gist Brocades, is launching an enzyme, marketed under the brand name, Natuphos, which it says eliminates about 30 per cent of phosphates in pig and chicken manure.

Hungary's reform laws in disarray

By Nicholas Denton in Budapest

HUNGARY'S programme of reform laws was left in disarray yesterday after the constitutional court blocked a bill compensating owners expropriated by the former communist regime.

The court said central elements of the bill, already approved by parliament, were unconstitutional. The main objection was to discrimination in favour of peasants on whose political support the government depends.

The judges have delivered a setback to the programme, a timetable of legislation to set up the framework of a market economy. Officials see the bill as a "cornerstone law" on which many others rest.

The decision reduces room for manoeuvre for Mr Jozsef Antall, the prime minister. The Smallholders party has said it will leave his governing coalition unless land is returned.

That the case is the first to test Hungary's new system of constitutional checks and balances is understood to have added to the court's determination to disregard the political consequences of its verdict.

The compensation bill came under from within the administration for complicating privatisation but parliamentary approval was nevertheless generally welcomed as reducing uncertainty surrounding property ownership.

● Hungary said yesterday it would tear down a controversial dam on the Danube next year as a first step toward restoring the area to its natural state, Reuter reports from Budapest.

The official MTI news agency quoted Mr Gyorgy Samsondi Kiss, government commissioner for the Nagymaros dam, as saying Hungary would invite bids to carry out the project, likely to cost up to four billion forints ($53m).

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'Interest to be derived from balance of his account is dwindling,' says IISS report

Wisdom of banking on Gorbachev doubted

By Robert Mauthner, Diplomatic Editor

THE WEST'S almost exclusive support of President Mikhail Gorbachev as the only leader who can deliver democratic and economic reforms in the Soviet Union has been seriously questioned in a report by the London-based International Institute of Strategic Studies.

In its Strategic Survey for 1990-91, published yesterday, the IISS says a "predictable" Soviet Union, pursuing a policy of co-operation with its neighbours, is a pre-condition of a stable new world order. However, only a democratic Soviet Union can be a stable one. "A conservative leadership, once again suppressing meaningful reform by force, cannot create a secure system, or produce a country with a future."

Mr Gorbachev, whose vision was essential to "the swing away from the stagnation of the Brezhnevian era", is not, and probably never was, prepared to see his country move all the way to free market economics or true democracy, the report claims.

"It must now be asked if the policy of banking exclusively on him (Mr Gorbachev) can any longer be politically sustained, for the interest that can be derived from the balance of his account is dwindling."

The report describes the US as "the last, if hobbled, superpower." Its extraordinary success during the Gulf conflict has, paradoxically, made it difficult for it to act with disregard for the wishes of other key countries, as it sometimes did in the past.

To create his coalition in the Gulf war and to win continued agreement in the UN Security Council, President George Bush had to ensure that the countries involved would believe their interests would be taken into consideration. As a result, the US has accumulated debts to members of that disparate coalition, which will be difficult to reconcile.

In addition, the US will probably need more than financial aid from its allies in future similar crises. In five years' time or so, the US would not be able to field the same size of force as it did in the Gulf and would have to rely more heavily on the military contributions of its European allies.

The important part played by the United Nations in the Gulf crisis has undoubtedly given it new prestige. But the report is doubtful that the international organisation can maintain this high profile. "The unacceptable way in which Saddam Hussein overturned international norms of behaviour was particularly clear. The next crisis is likely to occur in much less clear circumstances, making positive and unanimous UN action more problematic."

The report considers that the conditions for achieving a Middle East peace settlement have been much improved by the outcome of the Gulf war. But there are still many obstacles, not least Israeli Prime Minister Yitzak Shamir's adherence to a Greater Israel, "filled with Soviet and other Jews," with Jordan becoming the official homeland of the Palestinians.

"It is possible to argue that Israel may never have a better opportunity to put an end to the enmity with the Palestinians, which is corroding Israel's own moral values, and to create a more secure place for itself in the Middle East," it says.

On security co-operation in Europe, the report says the Gulf war had the net effect of underlining the importance of one crucial old structure – the Atlantic alliance – and to highlight the lack of progress so far in building new structures, such as the pan-European Conference on Security and Co-operation in Europe.

"Expectations are now lower," the report states. "There is now less emphasis on the role of institutions and more on that of policies, in dealing with specific security problems."

Albanian demonstrators throw rocks at police who fired shots in the air and used water cannon yesterday to disperse a rally of more than 10,000 people in central Tirana in support of hunger-striking miners. Several people were injured. Yesterday also saw the re-establishment of full diplomatic relations between Britain and Albania for the first time since 1939.

Just for now, Lenin's statue – and the union – keep their heads

Ukraine, the second-largest Soviet republic and an economic power house, could make or break Gorbachev's plans for a renewed union

SOLDIERS and barricades have thus far protected the statue of Lenin in central Kiev from the wrath of the citizenry.

But were he alive today the Bolshevik leader would surely not be happy with the scene his likeness surveys. Lenin's assertion in 1918 that "losing the Ukraine would be like losing our heads" is still apt 73 years later.

The fate of the treaty Moscow is negotiating with nine republics to preserve the Soviet Union in a renewed form hinges in large part on the participation of this the second-largest republic, an agricultural and industrial power house.

But despite its cultural and historic links with the Slavic Russian republic, the Ukraine – which is still ruled by communists – is likely to upset President Mikhail Gorbachev's hopes to sign the Union Treaty this summer.

Although the Ukraine signed the widely-hailed union agreement on April 23 between Mr Gorbachev and the nine republics, even hard-line communist deputies in the Ukrainian parliament insist it is a statement of intent and not legally binding.

Moreover, the Ukraine government last October made a deal to end a politically-explosive student hunger strike that forbids the republic from signing the treaty before its sovereignty declaration of July 16 1990 is entrenched in a new constitution.

Deputies from all political parties agree that it will be impossible to ratify this new constitution before the end of the year.

This procedural barrier to the Ukraine entry into a renewed union has not been erected by chance. A somewhat surreal atmosphere has prevailed in parliament of late as the opposition and some communist leaders have joined in unspoken agreement to drag out constitutional discussions and thus delay signing the union treaty.

The conductor of these delaying tactics is none other than the communist president of the republic, Mr Leonid Kravchuk, who is carefully hedging his bets on the union treaty. He publicly insists that – eventually and after many corrections – the Ukraine will sign the Union Treaty. However, Mr Kravchuk also deftly avoided personal responsibility for the April 23 declaration by making a timely official visit to Germany. He sent his prime minister to Moscow to sign in his stead.

Mr Kravchuk's growing support for Ukrainian sovereignty, exemplified by his exclusive use of the Ukrainian language in parliament and sharp reprimands for communist deputies who are not properly respectful of "the Ukrainian nation", has won him allies among the opposition. It has also alienated a pro-Moscow faction of communists loosely grouped around the Ukrainian communist party's general secretary, Mr Stanislaz Hurenko.

The radical opposition, in particular those from the western Ukraine, a hotbed of nationalist sentiment which did not come under effective Soviet control until 1945, are less enthusiastic about co-operation with Mr Kravchuk. They fear that an independent Ukraine built with the support of communists would remain socialist.

However, political ambition is likely to push Mr Kravchuk even further towards independence and capitalism in the coming months as he wants to become the first directly-elected president of the Ukraine.

Economic and political issues play a greater role in the Ukraine than concern for national language and culture in galvanising public support for independence. This is best illustrated by the unlikely alliance which is developing between the miners of eastern Ukraine and the radical nationalists from the west whose uncompromising opposition to the communists is admired by the strike leaders.

Even pro-Moscow communists are agreed that Ukraine must have greater control over its economy. Mr Oleksandr Moroz, the leader of the communist majority in parliament, voiced a widely held view last week when he attributed Kiev's comparatively well-stocked shop shelves to the Ukrainian coupon system, introduced in November to protect the internal market.

Mr Moroz and aides to prime minister Vitold Fokin say the government plans to replace the coupon system this summer with a more radical, but still ill-defined "separate" currency to be created by affixing special stamps to the existing Soviet rouble. Details of the scheme have not yet been made public but Mr Moroz says these doctored bills will be the only currency valid for the purchase of a wide range of food and consumer goods.

Mr Fokin, who is the Ukraine's chief negotiator in talks about an all-union economic anti-crisis plan, says the Ukraine is willing to participate but will not tolerate the preservation of a unitary Soviet monetary and fiscal system beyond the end of this year.

The Ukrainian public will have a chance to express its views about socialism, Ukrainian national symbols and other issues in a referendum later this year.

Until then the Ukraine gardens, a traditional source of national pride, are the best gauge of local support for sovereignty. Kiev parks are resplendent with row after row of blue and yellow blossom, the colours of Ukrainian independence. Swimming against the current, communists in Bhervonohrad, the western Ukrainian mining town, planted red tulips outside their party headquarters. Overnight, the flowers disappeared.

MR STEPAN KHMARA has become a cause célèbre in the Ukraine as the symbol of radical opposition to the republic's ruling Communists, writes Chrystia Freeland in Kiev.

Surrounded by coalminers in hard hats and traditional embroidered shirts who form his self-appointed bodyguard, the Ukrainian parliamentarian made his way to Kiev's courthouse this week with the confident stride of a victor not a victim.

The authorities are so frightened of the Khmara case that they have postponed his trial on charges of assaulting an undercover policeman for almost seven months. What is significant is that it is taking place in a building opposite the statue of another man who called for an uprising of the Ukrainian masses – the 17th century Cossack leader Bohdan Khmelnytsky.

Mr Khmara stands for an open struggle for political power waged through strikes and demonstrations, instead of the route favoured by most opposition deputies – co-operation with the Communists and a slow process of nation building.

Official efforts to silence him, which began with an attempt last November to frame him on the charges of assaulting a police officer, have boomeranged, transforming him into a Ukrainian national hero.

Everything the authorities have done – from stripping Mr Khmara of his parliamentary immunity, to releasing him on April 5 only to rearrest him a week later when he flew to the Donbas coalfield to meet striking miners – has served to increase the 53-year-old deputy's popularity and radicalise the Ukrainian public.

"All the miners support Khmara. He is our leader, the banner we unquestioningly follow," said Mr Ihor Shvets, one of Mr Khmara's "proletarian guard of honour" and a leader of the strike committee in Chervonohrad, the western mining town which elected Mr Khmara to the republican parliament.

His greatest political significance has been to draw people like Mr Shvets, and others from the largely Russianised and more conservative eastern Ukraine, into the political arena.

A radical nationalist and uncompromising opponent of the Communist party (he views Ukrainian president Leonid Kravchuk, a communist who has won support of many prominent opposition leaders for his pro-sovereignty stance, as "a marionette of the Kremlin") Mr Khmara appeals both to the radical national intelligentsia and the working class.

The growing links between the two groups will be cemented in Kiev next month when the all-Ukrainian association of strike communities, a nascent Ukrainian version of the Polish Solidarity movement, convenes its founding congress. It is expected to elect Mr Khmara as its chief political adviser.

WORLD TRADE NEWS

Andean five put common back into market

Plans for a trade pact have been revived with some vigour, writes Robert Graham

FOR TWO decades Bolivia, Colombia, Ecuador, Peru and Venezuela have paid lip service to the ideal of a closely integrated Andean Pact. It is not surprising that their leaders face an uphill task convincing sceptics about the seriousness of their commitment to form a common market of 90m inhabitants by 1995.

"It's not going to be easy to convince people," admits Mr Jose Antonio Garcia Belaunde, the recently-appointed director of the Andean Pact Commission's secretariat based in Lima. "But there is a new atmosphere and I think we soon will be able to demonstrate some concrete results." He cites, for instance, the aim to achieve an "open skies" policy by the end of the year and removing restrictions on cross-border road transport.

In attempt to give a higher profile to their plans, the leaders of the five countries went out of their way to publicise the fifth summit of the Andean Pact council in Caracas which ended on May 18. The meeting endorsed a decision to set December 31 this year as the deadline for formalising agreement both on the timetable for a Common External Tariff (CET) and for ground rules for a free trade zone.

The original integration scheme agreed in 1969 was loosely defined and was primarily political. Its economic ideas merely reproduced in a regional block the protectionist autarkic principles which applied in the individual countries. Chile was included and Venezuela joined in 1973. Then in 1976 Chile left, finding the pact moribund and out of step with its free-market macro-economic policies.

Although Chile has opted to stay out, one of the elements now stimulating integration is precisely the reversal of the discredited import-substitution model of development in favour of an export-orientated de-regulated economy of which Chile has become the model.

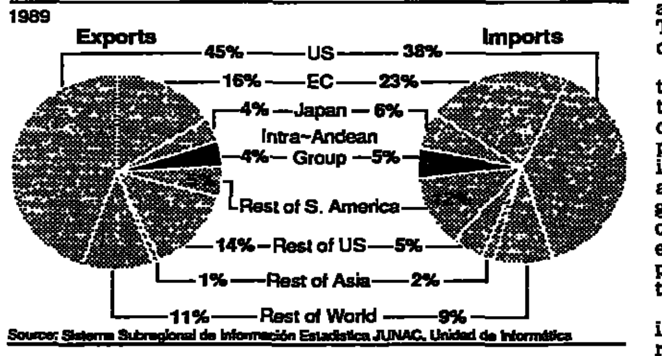
The five countries may not have synchronised macro-economic policies – Peru in particular is still struggling with hyper-inflation – but the policy differences have narrowed. They all recognise that one of the most negative features of the old pact structure was its constitutional distaste for foreign capital.

These strictures have been removed from the pact and individual countries all now possess legislation designed to encourage foreign investment, the last being Peru.

Another factor favouring the pact's revival has been the move by Argentina, Brazil, Paraguay and Uruguay to form a common market, Mercosul (southern cone market), by 1994.

Andean Group

1989



Source: Sistema Subregional de Información Estadística JUNAC, Unidad de Informática

However, the potential size of the market should not obscure the limited trade conducted between the five. Trade between them accounts for less than 4 per cent of their exports ($30bn last year) and 5 per cent of their imports ($18bn).

Big obstacles remain, such as the unresolved border disputes between Colombia and Venezuela, and Ecuador and Peru. A combination of vast distances (greater than Europe) and inhospitable terrain remain formidable natural barriers and make it almost impossible to have a good transportation infrastructure.

There are large disparities in wealth and development. Oil-rich Venezuela has a per capita income three times that of Colombia, Ecuador and Peru and six times of Bolivia. With the exception of Colombia and Venezuela, the economies do not naturally complement each other.

Indeed Colombia and Venezuela seem to be paying much more real attention to a three-cornered relationship with Mexico that could link them eventually into the latter's proposed free trade agreement with Canada and the US.

The five's exports are primarily of raw materials (all export hydrocarbons) or agricultural goods for the industrialised world. Colombia and Venezuela dominate the pact, and in the late seventies, Venezuela tried to set itself up as the industrial power house of an Andean common market. These unnecessary projects collapsed with the debt crisis.

The big two account for two-thirds of the total volume of all trade while their own bi-lateral commerce makes up almost 60 per cent of the pact's total inter-regional trade. These two are the most advanced in integration; yet there are still serious discrepancies in their exchange rate and monetary policies as well as the timing of trade liberalisation measures.

In recognition of the differing stages of economic restructuring, Colombia, Peru and Venezuela are committed to have a CET in force by the end of 1993 while Bolivia and Ecuador have until 1995. The former already apply a zero tariff on 90 per cent of the products coming from Andean countries.

Bolivia, the first of the pact to liberalise in 1985, has also started a tariff elimination process. Ecuador will carry this out in two stages and all five should be in line by mid-92.

Dismantling the lists of exceptions is due to be carried out largely within the next two years. The pact's commission further plans to harmonise legislation on capital flows, the movement of people and on a common Andean agricultural and livestock policy.

Commission puts pressure on CoCom

BRUSSELS yesterday set out its first tentative steps into the sensitive area of controls that the 12 EC states individually impose on the export of militarily useful technology, David Buchan reports from Brussels.

EC member states have long excluded Brussels from talks on their export controls on "dual use" technology such as computers that could have military uses.

The scope of such controls is set in the Paris-based Co-ordinating Committee for Multilateral Export Controls (CoCom), to which 11 EC states belong, and to whose rules neutral Ireland informally subscribes.

But the Commission has been pressing CoCom on this, out of from a desire to ensure member states do not use export security controls as pretexts to keep frontier checks on intra-EC trade beyond January 1 1993, when all such EC border controls are set to disappear.

Mr Martin Bangemann, EC internal market commissioner, said EC governments had now allowed the Commission to join talks on the administration, but not the scope, of export controls. Brussels aims to strengthen such weak links in the export control chain as Greece and Portugal so that by 1993, EC members could scrap intra-EC trade controls.

Brussels to comply with Gatt ruling on oilseeds subsidies

By William Dullforce in Geneva

THE EUROPEAN Community said yesterday it will comply later this year with a ruling against its oilseeds subsidies by the General Agreement on Tariffs and Trade.

Brussels' move, announced in the Gatt council, should end a dispute with the US over EC subsidies paid to oilseed crushers, to compensate them for the high prices they pay EC farmers for soyabeans and other oilseeds. The decision was included in the farm price package agreed by EC agriculture ministers at the weekend. Under it prices for oilseeds will be cut by 1.5 per cent.

But, more significantly for US soyabean producers and Gatt, ministers also agreed that the EC Commission should submit proposals by July 31 to bring the current oilseed regime into line with the conclusions of the Gatt disputes panel. The ministers undertook to decide on the new regime by October 31.

Mr Rufus Yerxa, deputy US trade representative, said the US assumed that the new regime would apply to all oilseeds planted in the autumn and harvested in 1992. In its complaint to Gatt the US charged that subsidies of the order of 200 per cent of the world market price paid to EC processors had severely curbed US soyabean exports to the EC.

Brussels voiced strong reservations about the panel's arguments when the ruling was adopted by the Gatt council in January, 1990. It then tied modification of its regulations to the outcome of the Uruguay Round trade talks.

The EC yesterday joined in criticising the US for refusing to implement an eight-month-old Gatt ruling against the countervailing duties it is applying to imports of Canadian pork. Mr Yerxa said the US would be ready to consider the panel's finding, if the matter had not been resolved bilaterally by the middle of June under the arbitration process provided for in the US-Canada free trade agreement.

● Japan has complained to the Gatt council about a notification from Washington that the US marine mammal protection act would be applied to so-called intermediary nations and that US customs would require all importers of yellow-fin tuna fish to certify that no deliveries had been fished by purse seine nets in the eastern Pacific.

French train design chosen for Texas link

By William Dawkins in Paris

THE US state of Texas has chosen a French-designed high speed train to equip an express rail network due to open from 1998 at an estimated cost of $6bn.

An independent state commission has awarded the concession to build and operate the network to a consortium headed by Morrison-Knudsen, the US construction group, which plans to buy $800m worth of trains and signals from GEC-Alsthom, the Franco-British engineering giant and Bombardier, the Canadian transport equipment company.

The only rival, the Texas Fastrac consortium, was offering a $7bn project based on German high speed train technology developed by Siemens and Krauss Maffei.

The High Speed Rail Commission was appointed by the Texas state government in 1989 to assess the usefulness of an express rail link and decide on an operator.

The winning consortium will work out final details of contracts and financing over the next 18 months, but it is already committed to using rolling stock based on the French Train à Grande Vitesse (TGV), capable of cruising at 320 kmh on the 1,000km of new line to be built for Texas. Local contractors are to be used for track building and laying.

This will be the first order outside Europe for the TGV, in use in France, and ordered for Spain and the Channel Tunnel.

"The fact that a country as technically demanding as the US has taken this decision should improve our chances in other markets," said Mr Paul Combeau, a director general of GEC-Alsthom.

The first phase, linking Dallas and Houston, is due to open in 1998, with the remaining links to San Antonio and Austin, to come into service the following year.

Philippines to drop import levy by 1992

By Greg Hutchinson in Manila

THE Philippines' controversial 9 per cent import levy will be reduced by August and eliminated by the end of the year, Mr Jesus Estanislao, finance secretary, said yesterday.

The levy was imposed incrementally last December and January as an emergency revenue measure pending Congress passing fresh tax measures. The laws were never enacted because of political pressures.

The levy resulted in a 14 per cent fall in foreign investments in the first four months of 1991, according to a recent report by Mr Peter Garrucho, the trade and industry secretary. It also spurred inflation, which has reached nearly 20 per cent on an annual basis. But a positive gain has been sharply lower interest rates. Treasury bills have fallen nearly 15 percentage points in the past five months to 18.1 per cent.

"We opted for the choice to bring down interest rates because the benefits would be more widely spread," Mr Estanislao said.

The finance secretary said the 9 per cent levy would be "reduced slightly" in August or before, and eliminated by December 31, six months ahead of a self-imposed deadline. The International Monetary Fund would like to see it abolished before the end of the year.

Philippine balance of trade figures for the first quarter released on Tuesday showed the import levy had not rebalanced the trade picture. The deficit rose 17 per cent to $1.02bn from the year-before level of $873.3m.

Mr Estanislao also said the Philippines was expected to have a more liberal foreign investments law in place within two weeks. Intervention by President Corazon Aquino was said to have cleared a final obstacle. A dispute within Congress over the length of an "open season" period for foreign investments in the country had bogged down progress of the law, seen as essential to lift the country from its doldrums.

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India crisis delays plans for budget and foreign loans

By David Housego

INDIAN Finance Ministry officials are still hoping that a new Indian government will be able to present a budget by the third week in July – thus avoiding any further delay in negotiations with the International Monetary Fund and World Bank over the substantial loan that India is seeking.

But with Mr Rajiv Gandhi's assassination having delayed the last two rounds of the election by three weeks, it is an open question whether it will be possible to stick to this timetable. The Finance Ministry is anxious that the budget be presented by the end of July because the government has no authority from parliament to continue spending beyond that date.

Although a further "vote on account", or interim budget, is possible – a repetition of the four-month approval obtained in March – a second postponement of the budget would be ill-received by the IMF, donor nations and the international financial markets.

The Finance Ministry's initial timetable had been based on a government being formed by June 5 when parliament was due to meet but the election results will now not be available until June 20.

This gives little more than a month for a government to be formed and a budget presented. Most donor nations have said that additional balance of payments support will not be available until a new government is in place.

The $2.5bn standby credit which India is currently seeking, and which is linked to a $500m World Bank structural adjustment loan, depends on the content of the budget.

If agreement were to be reached with the IMF over this upper tranche standby credit, this could open the door to negotiations over the longer term loans India needs. The standby credit would be for 12-18 months.

The vote on account presented to parliament in March assumed a reduction in the budget deficit from almost 9 per cent of gross domestic product in 1990-91 to 6.9 per cent. This was already above the IMF target which was set at 6.5 per cent.

But this target will now be harder to achieve because of the shortfall in revenues that is the result of the draconian cuts in imports that the government has imposed.

Mr Pranab Mukherjee, the Congress spokesman and the man Mr Gandhi would have probably chosen as finance minister if elected, said in an interview yesterday that "structural adjustment is an absolute necessity if we want to put the economy on the rails."

Nepal's PM takes main portfolios

NEPAL'S first democratically elected government in more than three decades announced a 15-member cabinet yesterday with Mr Girija Prasad Koirala, the prime minister, keeping all the main portfolios, Reuter reports from Kathmandu.

Mr Koirala, new head of the Nepali Congress party that won the election earlier this month, took the finance, foreign, defence and health portfolios. He was appointed prime minister last Sunday and formally elected Congress leader earlier yesterday. He succeeded Mr Krishna Prasad Bhattarai, the interim prime minister, who was defeated in Kathmandu by a leader of the main communist party.

According to a communiqué issued by King Birendra and quoted by state-run Radio Nepal, Mr Koirala also took the royal palace affairs portfolio.

Left: Girija Prasad Koirala acknowledges the greetings of party workers yesterday

Nepal's first multi-party elections since 1959 took place a year after King Birendra, traditionally revered as the reincarnation of the Hindu god, Vishnu, ceded his absolute powers in the face of bloody pro-democracy demonstrations.

By taking the palace affairs portfolio, Mr Koirala keeps liaison with the palace in his own hands. Suspicions are still alive over whether King Birendra and his aristocratic supporters have really resigned themselves to a British-style constitutional monarchy.

Elections in 1959, which brought Mr Koirala's elder brother to power, were followed less than two years later by a palace coup led by King Birendra's father, King Mahendra.

For the next 30 years, the two kings ruled through elected, but non-party, councils. Political parties were banned until King Birendra yielded to the pro-democracy movement.

Arab brothers divided over issue of Gulf security

Egyptian pique at Kuwaiti 'ingratitude' has come to the surface, writes **Tony Walker** in Cairo

WHEN MR DICK Cheney, the US defence secretary, arrives in Cairo tomorrow from Israel he will have more on his mind than President George Bush's latest plan to curb the Arab-Israeli arms race. Among Mr Cheney's principal concerns will be the inability of Washington's Arab allies in the Gulf war to find a common approach to regional security.

The three months since the end of the war have been marked by simmering disagreement between Egypt and Syria on the one hand and the Gulf states on the other on how to achieve Gulf security in the face of a lingering Iraqi threat.

Both the Egyptians and the Syrians – as prominent members of the Arab anti-Iraq alliance – had expected the six-nation Gulf Co-operation Council to move quickly to engage them in new security arrangements, but GCC states have proceeded with their customary caution.

Indeed, Egyptian pique at what was seen in Cairo as Kuwaiti ingratitude for Egypt's role in the liberation of Kuwait prompted an abrupt announcement by President Hosni Mubarak on May 8 that he was withdrawing his 35,000 troops from Kuwait forthwith. "I decided to recall these troops a month ago," said Mr Mubarak. "Within 2½ to three months at most all our forces in the region will have left after completing their mission."

Behind those matter-of-fact words lay considerable Egyptian anger. Egypt was not only unhappy about indications that Kuwait might prefer a continued American presence to an Egyptian one, but also irritated at Kuwait's failure to offer Egyptian contracting companies a bigger share of reconstruction work. For weeks Egypt's press was full of complaints about preferential treatment being given to American and west European business. A combination of dented national pride and commercial disappointment quickly deflated some of the post-war euphoria.

It was against this background that Sheikh Ali Sabah al-Salim, the Kuwaiti Defence Minister, hastened to Cairo this week with a message from Sheikh Jaber, the emir. The contents have not been divulged, but it seems that the two sides are seeking a formula that would assuage Egyptian and Syrian disappointment.

Asked after his meeting with Mr Mubarak whether agreement had been reached on the presence of Arab forces in Kuwait, Sheikh Ali said cryptically: "The presence of Egyptian, Syrian, Gulf, and other forces in particular will be the buttress for the presence of military forces in Kuwait."

Debate in the Gulf itself and between Gulf states and their Egyptian and Syrian allies centres on the desirability of the US continuing to maintain a presence on Kuwaiti soil. Kuwait's rulers are apparently anxious that some US forces should stay for the time being – as much for reasons of domestic stability as for the security of the state against outside threats.

The position of Washington is equivocal. It is willing to stay in Kuwait if asked, but it does not wish to contribute to regional tensions, and most certainly it does not want to be the cause of friction within the anti-Iraq alliance.

Mr Cheney himself may have inadvertently provoked Mr Mubarak's announcement on May 8 of a withdrawal when he told reporters in Kuwait the day before that the US would leave behind an armoured brigade of 5,000 men when its troops completed their withdrawal from the Gulf. Mr Cheney would not be drawn on how long the brigade would stay beyond saying that it would remain "for the time being".

Weighing most heavily with the GCC is the worry of making an open-ended commitment to hosting Arab security forces. All have in mind the example of the Syrian presence in Lebanon since 1976 under an Arab League mandate.

The GCC itself is examining the issue of regional security under a committee headed by Sultan Qaboos of Oman who visited Cairo earlier this month for talks with Mr Mubarak.

Gulf rulers have resolved that in the longer term the oil-rich states of the Gulf littoral should be responsible for their own security, but they acknowledge that they are too weak to guarantee their own safety in the meantime.

In their calculations, all Gulf states are keeping a wary eye not just on a weakened Iraq, but more particularly on Iran, which has made it clear that it disapproves of a continuing foreign military presence in the region.

Egyptian and Syrian disappointment over Gulf foot-dragging on new security arrangements may also be attributable to the raised expectations that accompanied the "Damascus Declaration" of March 6. The six GCC states plus Egypt and Syria, the so-called G-8 Arab states, resolved then to co-operate on security matters after the war.

Syrian and Egyptian forces, the declaration said, "represent a nucleus for an Arab peace force which would guarantee the security and peace of Arab countries in the Gulf region and constitute a model that would guarantee the integral defence system".

In the heat of the moment in the days immediately after the war those sentiments held singular appeal for the Gulf states, but now that things are quieter, doubts have surfaced. These issues will be discussed by G-8 officials in Riyadh in the next few weeks to be followed by a foreign ministers' meeting in Kuwait after the summer.

The upshot of all this may well turn out to be a compromise with a continuing token Egyptian and Syrian presence in Kuwait helping to provide cover for the American armoured brigade. For this privilege, the Kuwaitis will be obliged to pay their Arab brothers in Cairo and Damascus handsomely.

France demands Syrian pullback from Lebanon

By George Graham in Paris

FRANCE plans to demand the withdrawal of Syrian troops from Lebanon, Mr Roland Dumas, the French foreign minister, said yesterday.

The move comes a week after the signature of a "treaty of fraternity, co-operation and co-ordination" between the Lebanese government and Syria, which has maintained troops in Lebanon since 1976.

This treaty has been attacked by Israel as "annexation" of Lebanon by Syria.

The French government has watched anxiously over the application of the 1989 Taif agreement between the warring Lebanese factions. Mr Dumas said yesterday that he still considered the Taif terms the right way for Lebanon to follow.

The practical results so far, however, have been the ousting of General Michel Aoun, the Christian military leader, who remains a refugee in the French embassy in Beirut.

Taiwan gets new green minister

By Peter Wickenden in Taipei

TAIWAN's most popular legislator, Mr Jaw Shaw-kong, was drafted into the cabinet yesterday in a limited reshuffle following the resignation of a minister who was associated with an insider stock trading scandal.

Jaw, 40, of the ruling Kuomintang (KMT), accepted Premier Hau Pei-tsun's nomination to head the cabinet-level Environmental Protection Administration. An outspoken party reformist, he is dubbed the Golden Boy of Taiwanese politics, and last year accused KMT leader and Taiwan president Lee Teng-hui of "surrounding himself with yes-men."

EPA director Dr Eugene Chien, 45, moves to the Communications Ministry, to replace Mr Clement Chang, who resigned in April after his wife and daughter were implicated in a $22m stock trading scandal. The three Changs were later cleared of suspicion by the Taipei district prosecutor for lack of hard evidence.

Current minister without portfolio Mr Wu Po-hsiung was given back his former post at the Interior Ministry, whose incumbent Mr Hsu Hsui-der goes to Tokyo as Taiwan's unofficial representative to Japan.

Assurance given to Dominion administrators

By Clay Harris

THE US Treasury has assured administrators of Dominion International Group that the failed UK-based financial services and property company was not on a list of alleged Iraqi fronts and agents.

US blacklisting of an entity listed simply as "Dominion International, England, United Kingdom" prompted potential buyers of Dominion's businesses to break off talks, according to one administrator, Mr Mark Homan of accountants Price Waterhouse. Mr Richard Newcomb, director of Washington's office of foreign assets control, has written to Mr Homan, saying the US had concluded, after "consultations with the British government and a review of the information that Price Waterhouse has willingly provided," that Dominion was not the company the Treasury had in mind.

35,000 Ethiopian soldiers and civilians flee to Djibouti

By Our Foreign Staff

UP TO 35,000 Ethiopian soldiers and civilians have fled to the Red Sea state of Djibouti from the nearby Ethiopian port city of Asab, which fell to rebels at the weekend.

Thousands more have fled to Sudan and Kenya, fearing reprisals against supporters of President Mengistu Haile Mariam who sought political asylum in Zimbabwe last week.

A coalition of rebel groups took control of Addis Ababa, the capital, on Tuesday.

Mr Moumin Bahdon Farah, Djibouti's foreign minister, said 70 per cent of the Ethiopians who have arrived so far were soldiers.

Altogether 22 Ethiopian military aircraft have taken refuge in Djibouti and seven ships have sailed in from Asab. Although the rebels effectively control most of the country, thousands of soldiers were reported to be heading back to eastern areas of the country.

Three trainloads of Ethiopian soldiers and civilians left for Dire Dawa, in north-east Ethiopia on the main route to Djibouti, on Monday night and several thousand left by road in long convoys on Tuesday.

Military commanders of the rebel Ethiopian People's Revolutionary Democratic Front (EPRDF) said they were aware government soldiers were regrouping in the east and that their forces would confront them.

About 600 of the remaining French troops who served in the Gulf War have been sent to Djibouti to disarm the soldiers.

Greenhouse gases 'on increase'

By John Hunt, Environment Correspondent

A RISE over the past decade in the concentration of greenhouse gases which cause global warming is shown in the new edition of the Environmental Data Report*, the authoritative annual assessment of the world environment drawn up by the United Nations Environment Programme.

The 1991 report, published today, also paints a picture of increased pollution of land and water, destruction of plants and animals and depletion of natural resources.

Concentrations of carbon dioxide in the atmosphere, the chief cause of global warming, have increased by 25 per cent since the growth of industrialisation at the beginning of the 19th century. This is largely due to the burning of carbon based fuels such as oil, coal and gas and to deforestation.

"If we continue in this way then we will experience even higher concentrations of carbon dioxide," said Ms Ann Willcocks, the editor of the report.

During the 1980s levels of carbon dioxide rose by 1.4 parts per million each year and are currently 353 parts per million. Levels of methane, another greenhouse gas, increased between 1978 and 1989 at an average rate of 1 per cent a year. Global emissions are now estimated at 500m tonnes a year.

This is caused by decay of organic matter in wetlands, rice paddies and landfill rubbish tips, and by natural gas production and coal mining. The condition of the Rhine and Meuse, two of the most heavily polluted rivers in Europe, has improved as a result of prevention measures over the past decade. There has been a steady decrease in some pollutants.

But greater recreational use of the sea has led to increased human exposure to pollutants discharged into coastal waters.

"Of primary concern is the deterioration in bacteriological quality of bathing waters due to inputs of sewage," says the report. It expresses concern at over-exploitation of natural resources. Fertiliser use worldwide increased 150 per cent in the 20 years between 1968 and 1988. Pesticide use increased 13 per cent between 1975 and 1984.

Forests cover 31 per cent of land but it is estimated that forest area declined 6 per cent over the past 20 years. During that time production of hardwoods increased 54 per cent and softwoods 28 per cent.

UNEP Environmental Data Report, £50, Basil Blackwell, 108 Cowley Rd, Oxford, UK.

Iran seeks stronger economic links

By Deborah Hargreaves in Isfahan, Iran

IRAN'S economy needs regional and international co-operation for it to develop, according to Mr Mohammad Adeli, the central bank governor.

Mr Adeli said in a speech that understanding and contact among the four countries with the largest oil reserves in the region – Iran, Saudi Arabia, Iraq and Kuwait – were necessary to create the stability that would draw investment and guarantee growth.

The country's five-year development plan agreed this year calls for $17.7bn in direct foreign financing and a further $10bn in foreign investment.

Mr Adeli said that Iran had already covered more than 70 per cent of its borrowing needs for this year, largely through credit lines from several French banks.

Iran is taking an increasingly conciliatory approach towards multinational institutions, such as the World Bank and the International Monetary Fund.

The World Bank re-established links with Tehran when it made a recent $250m loan for earthquake relief.

Iran is also working on an economic memo of understanding with the Bank, but still has some way to go in building political bridges.

One of the country's unsolved problems is its exchange rate. Mr Adeli called the official rate of 70 rials to the dollar the fading rate, which is being phased out.

Iran currently offers a two-tier exchange rate system of 600 rials to the dollar at one level and then a market rate which is offered to tourists and the private sector at 1,300 rials to the dollar. The move to introduce this fluctuating market rate in January reflects Tehran's eagerness to boost non-oil exports.

Setting one official exchange rate remains an extremely difficult political problem and Mr Adeli could give no indication of when it might be solved.

Tehran is concerned that a complete move to the market rate for the rial would cause hyperinflation and push up food and energy prices.

INTERNATIONAL NEWS

Sir Piers Jacob: rejects change

Sir David Ford: labour review

Hong Kong to keep US$ link

By John Elliott in Hong Kong

THE Hong Kong government yesterday reaffirmed its commitment to the link between the colony's currency and the US dollar. It also announced that it is to consider increasing its quota of foreign workers as part of a package of measures designed to combat inflation, which last month reached an annual rate of 13.9 per cent.

The measures were announced by senior civil servants at the end of a tough debate in the colony's legislative council. Members of the council were severely critical of government policies and lodged a number of demands, including curbs on public sector pay rises and other areas of government spending.

The government forecast an average inflation rate of 9.5 per cent for the current year, measured by the consumer price index, when Sir Piers Jacobs, financial secretary, presented his budget in March. That was revised upwards to 11 per cent when the 13.9 per cent rate to the end of last month was announced last Friday.

Yesterday Sir Piers rejected calls for a change in the currency peg, which has fixed the exchange rate since 1983 at HK$7.80 to US$1. He said that the rate would have become HK$8.80 to US$1, and inflation would be higher, if the most popular alternative – of a link to a basket of Hong Kong's main trading currencies, including the Chinese renminbi – had been adopted in 1983.

He also announced a nine-month freeze on increases in government fees, such as hospital and immigration charges, and cancelled a HK$1 fuel surcharge on taxi fares. As part of his package of measures, interest rates were raised by 1 per cent to 10.5 per cent last Friday and banks were asked to curb mortgage lending. A 200 per cent tobacco tax increase was halved two weeks ago.

One of the main reasons for Hong Kong's high rate of inflation is a shortage of labour, especially in a rapidly growing service sector. Employers want to be able to import more workers, but this is strongly opposed by trade union and other interests.

Sir David Ford, chief secretary, said last night that the present labour import quota would be reviewed. A year ago the quota was raised to allow companies to import more than 15,000 workers.

Hawke quandary on plunder of sacred Aborigine land

The Australian government must decide if mining can go ahead in a sensitive area, writes **Kevin Brown**

CORONATION HILL looks an unlikely place for the beginning of the end of the world.

Less than 1,000 feet high, it is virtually indistinguishable from hundreds of other low hills rising out of the scrub which covers much of Australia's sparsely inhabited Northern Territory.

Yet Coronation Hill presents Mr Bob Hawke's Labor government with an almost insoluble problem – whether to allow mining companies to exploit around A$500m (£220m) worth of gold, platinum and palladium, or bow to the religious beliefs of Aboriginal activists who want mining banned.

The hill has become a symbol for both sides: if mining is blocked or hindered, the mining industry says it will shift exploration funds to more sympathetic countries. If it is allowed, Aboriginal leaders threaten court challenges and mass protests.

For the government, the stakes are high. A ban on mining could threaten the future of an industry which provides nearly half the country's export revenues. But a clash with the Aborigines could end hopes of reconciliation between white and black Australia and do serious damage to the government's international image.

Ironically, Aboriginal opposition to the mine emerged as an important problem only after the government established a Conservation Zone around the site and set up an inquiry to investigate claims that mining would damage the environment of the adjacent Kakadu national park.

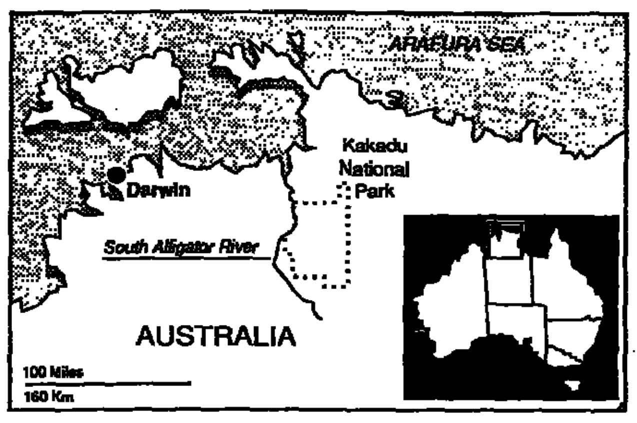
The inquiry reported that the mine would have only minimal impact on the park, but concluded that it would infringe the religious beliefs of the Jawoyn tribe, the traditional occupants of the land.

The key issue is the belief of some of the 650 Jawoyn that the hill is part of the Sickness Country, the sacred resting place of the spirit Bula, who roamed the country during the Dreamtime, creating people, animals and topography.

"The Jawoyn believe that if mining goes ahead, Bula will physically shake the country, and there will be an apocalyptic calamity – tidal waves and earthquakes," says Mr John Ah Kit, director of the Jawoyn Association.

"There will be no sun or moon, only wind and rain, and everything will be destroyed – not just blackfellas, but white people in comfortable homes and offices."

The existence of the Bula belief is not denied by the Coronation Hill Joint Venture, which includes Newcrest Mining, a subsidiary of BHP of Australia and Newmont Mining of the US; Plutonic Resources, an associate of Malaysia Mining Corporation; and Norgold, a subsidiary of North Broken Hill Peko of Australia.



But the joint venture has produced evidence that the traditional Sickness Country does not include Coronation Hill. For example, the three "custodians" of the tribe's religious beliefs, Mr Peter Jatbula, Mr Sandy Barraway and Mr Nipper Brown, told the inquiry that Bula was present at Coronation Hill.

Yet Mr Barraway and Mr Brown had both said previously that the hill was outside the Sickness Country. Other Jawoyn, including Mr Joseph Marapunya, son of a former custodian, say the traditional Bula sites are to the south-east of Coronation Hill, outside the mining area.

Mr Marapunya, one of five Jawoyn who work for the joint venture, says Bula has been identified with Coronation Hill only since gold was discovered there.

Mr Andy Andrews, who also works for the joint venture, has produced a petition at the inquiry signed by 95 Jawoyn who wanted mining to go ahead.

He claims the Jawoyn have been pressured into opposing mining by mixed blood and white outsiders from the Northern Land Council, a statutory body set up by the federal government to represent Aboriginal groups in land claim hearings.

"They don't care about the Aboriginal people, they just want to protect their own jobs in the Aboriginal bureaucracy," he says.

These allegations are strongly denied by Mr Geoff Adlide, senior policy officer of the Land Council, who points out that the Jawoyn have facilitated exploration agreements with de Beers, the South African diamonds group, and Normandy Poseidon, an Australian gold mining company, on other parts of their land.

Mr Ah Kit claims the Jawoyn Association has had to protect the custodians and other members of the tribe from pressure from the joint venture to change their minds about the location of the Sickness Country.

Whatever the truth, the federal cabinet is unlikely to be able to bridge the gulf between the two sides when it discusses the project today.

Two options are believed to be on the agenda – a ban on mining, or permission for development, subject to the agreement of the Jawoyn. If the government blocks the project, the mining industry says it will be sending a powerful signal that future proposals will be subject to approval by Aboriginal groups, possibly on the basis of cultural beliefs having no traditional basis.

"International and Australian miners are saying we might as well go to other places where the government is interested in further development," says Mr Lauchlan McIntosh, director of the Australian Mining Industry Council.

Mr John Quinn, Newcrest managing director, also claims the government would be breaking a series of promises that the mine would be allowed to go ahead, and says he is considering a court action to recover from the government the A$15m spent by the joint venture on exploration.

However, if the project gets conditional approval, the Jawoyn Association says it will challenge the decision in the High Court, and call on Aborigines and sympathisers across Australia to repeat the mass demonstrations which embarrassed the government during the celebrations of 200 years of European rule in 1988.

"They can offer us millions of dollars, but we will not trade our sacred sites," says Mr Ah Kit.

"We will call on supporters to help, including indigenous peoples from other countries. That will take us down the track towards a confrontation that we don't want to see. But if we are forced into it, that is what we will do."

LEGAL NOTICES

GLADDINGS BAKERY LIMITED (IN RECEIVERSHIP)
GLADDINGS LIMITED (IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named companies will be held at 43 Temple Row, Birmingham on 13 June 1991 at 11.00 am for the purposes of having laid before it the report prepared by the administrative Receiver in accordance with the said section and, if thought fit, appointing a Committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who partly secured may only vote in respect of the balance of the amounts due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the meeting must lodge a written statement of their claims with me at Cork Gully, 43 Temple Row, Birmingham B2 5JT no later than 12 noon on 12 June 1991. Forms of proxy which, if intended to be used, must also be lodged with us by that time. (Faxed copies are not acceptable)

DATED this 22 day of May 1991

John F Powell
Administrative Receiver

NO. 003716 OF 1991
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF DEL MONTE FOODS NORTHERN EUROPE
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated the 13th day of May 1991 confirming the reduction of the Share Premium Account of the above named Company was registered by the Registrar of Companies on 14th May 1991.

Dated this 23rd May 1991

Clifford Chance
Royex House
Aldermanbury Square
London EC2V 7LD

Ref: RWC

Solicitors for the Company

No: 003717 of 1991
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF DEL MONTE FOODS (UK) LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an order of the High Court of Justice, Chancery Division dated the 13th May 1991 confirming the reduction of the capital of the above named Company from £13,320,765 to £50,000 and the Minute approved by the Court showing with respect of the capital as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on the 14th day of May 1991.

Dated 23rd May 1991

Clifford Chance
Royex House
Aldermanbury Square
London EC2V 7LD

Ref: RWC

Solicitors of the Company

T C PLASTICS LIMITED

Registered number: 2068922
Nature of business: Plastic Stockholders and Shopfitters
Trade classification: Manufacturing
Date of appointment of joint administrative receivers: 20 May 1991
Name of person appointing the joint administrative receivers: Barclays Bank Plc
JOSEPH PATRICK CONSIDINE and Richard Anthony Smart
Joint Administrative Receivers
(Office holder nos 056 and 288) of Cork Gully, Churchill House, Churchill Way, Cardiff, CF1 4XQ)

ROGERS & COMPANY (CARDIFF) LIMITED

Registered number: 113517
Nature of business: Skip Hire and Scrap Merchants
Trade classification: 45
Date of appointment of joint administrative receivers 15 May 1991,
Name of person appointing the administrative receivers: National Westminster Bank Plc.
JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART
Joint Administrative Receivers
(office holder nos 056 and 288) of Cork Gully, Churchill House, Churchill Way, Cardiff CF1 4XQ.

ART GALLERIES

PERSONAL

CLUBS

COMPANY NOTICES

THE ROYAL BANK OF CANADA
U.S. $350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 31st May, 1991 to 28th June, 1991 has been fixed at 6% per annum. On 28th June, 1991 interest of U.S. $4.666666 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 28th June, 1991 will be determined on 26th June, 1991

Agent Bank and
Principal Paying Agent
ROYAL BANK OF CANADA EUROPE LIMITED

Argentina to scrap Condor missile project

By John Barham in Buenos Aires

ARGENTINA has announced the "complete and irreversible cancellation" of its controversial Condor II missile project, bowing to US demands for the project to be scrapped.

Mr Erman González, defence minister, also repeated a promise made by his predecessor in January to discharge more than 10,000 servicemen, close military units and privatise or wind up 11 military-controlled industrial companies. He said revenues would be used to buy new equipment.

The decision to scrap Condor and implement budget cuts, announced on the eve of Army Day yesterday, demonstrate President Carlos Menem's confidence in his dealings with the military, which only two weeks ago pressured him for a spending increase.

The US opposed the Condor project from its inception soon after Argentina's defeat in the 1982 Falklands conflict with Britain. The US has sought to avoid proliferation of weapons of mass destruction and was the moving force behind the Missile Technology Control Regime (MTCR), a treaty signed by western nations.

The project remained an irritant in Argentina's improving relations with Washington. Mr Menem offered to mothball the Condor, but the US demanded it be destroyed and blocked the export of sensitive technology to Argentina until it halted research.

The missile is designed to carry a 500kg warhead or payload over a distance of 1,000km. Most of the estimated $200m to $400m (£115m to £229m) development costs are believed to have been met by Iraq as pre-financing for delivery of the missiles.

Argentina's space effort, of which the Condor project was ostensibly a part, will now come under the direct control of Mr Menem, rather than the air force.

Havana bread ration cut as Soviet aid shrinks

By Robert Graham

BREAD rationing in Havana has been tightened, a further sign of the drastic measures being taken by Cuban authorities to cope with shortfalls created by cuts in Soviet aid and the formal end of Comecon trading.

Until now the populous and politically sensitive capital has been given a more generous bread allowance than the provinces. Those prepared to queue could obtain more or less what they wanted.

But as of June 1, Havana will be subject to the same bread rationing conditions as the rest of the island. The daily allowance will be three ounces per person, or the equivalent of two rolls or a loaf of bread.

In January eggs were put on the rationing list, which covers staples such as rice, beans and meat.

The latest rationing measure, announced this week, has been justified by the need to ensure a fair distribution of bread and avoid queueing. However, it is believed there have been shortfalls in deliveries of Soviet cereals and cereals bought by Moscow for Cuba from third countries such as Canada.

Cuba is also anxious to save valuable foreign exchange to prepare for the hosting of this August's Pan-American Games, on which President Fidel Castro has staked much personal prestige.

Refuse collection has been affected by fuel restrictions imposed because of disruptions in the supply of Soviet-funded oil. More than 160 horse-drawn rubbish carts have been brought into service in Havana.

A Brazilian economy minister without a shock programme

Christina Lamb on a man who favours stability over surprise

MR MARCILIO Marques Moreira has an unenviable job. Appointed as Brazil's economy minister three weeks ago, his role is to win friends at home and abroad for a government so far expert only at making enemies.

His diplomatic training – the 59-year-old Mr Moreira comes directly from running Brazil's embassy in Washington – and credibility among the Brazilian élite would appear to make him the perfect man for the task. However, he is simultaneously charged with heading an unpopular austerity programme and opening up one of the world's most protected economies.

Apologising for his unaccustomed tardiness at the outset of an interview, Mr Moreira said he was under siege from 25 state governors who had been told by President Fernando Collor in a meeting that morning to go to the new minister with all their requests.

Mr Moreira explained: "The government has begun a new phase. The first phase had to be very tough because the situation was dramatic but now although things are still very serious the dramatic moment has been overcome and we can be open to listen to different sectors of society – labour, business, Congress and academics."

The difference from his predecessor is striking. Ms Zelia Cardoso de Mello favoured an aggressive posture. Her favourite word to journalists, businessmen and politicians alike was No. Mr Moreira, a devout Roman Catholic and philosopher, is a quiet-spoken man who looks incapable of refusing a thing.

But while his appointment was clearly a concession to the establishment, Mr Moreira is anxious not to appear someone who will give in to everyone. "I will speak softly but wield a big stick," he warned.

Mr Moreira, whose myopia gives him a rather mole-like appearance, seems dwarfed by his huge office and looked embarrassed when the interview was cut short by the clamour of governors outside and their incessant phone calls asking for money for projects and for their state debt to be rolled over.

When the interview resumed much later in the evening he was more relaxed as he explained how he planned to tackle the giant problems of managing Brazil's inflation and debt-ridden economy.

The first difficulty is to escape from a three-month old price freeze without pushing monthly inflation back into double figures. He likened the situation to "keeping a lid on a boiling kettle by letting out some of the steam and reducing the flame".

"If economic theory works – and Kant said theory does not work only if the theory is wrong or application inadequate – then a combination of fiscal and tight monetary policy should abate these inflationary pressures."

Mr Moreira said he had no plans for an immediate end to the freeze though last week he allowed price increases for 200 items. Describing himself as "shocked" by the behaviour of business in taking advantage of his appointment to break the price freeze he admitted that they may not be ready for open competition.

"Many businessmen here are still addicted to a paternalistic and oligopolistic system in which they prefer guaranteed prices shielding them from outside and inside competition."

For this reason he sees his job as "a pedagogical challenge to reverse a long-ingrained inflationary culture and reverse expectations so people start thinking in real rather than nominal terms, which are short-term, illusory and counterproductive".

To help enforce this, "competition must be stimulated by external opening and despite pleas for delays we will stick rigorously to theliberalisation timetable and if possible accelerate it".

A social pact between business, government and the unions was essential to achieve economic stabilisation, but despite the new "climate of understanding" a written pact was unlikely, he said.

"What I'm hoping for is some kind of understanding over national priorities such as income policies." Having already met with union leaders, businessmen and politicians he has found them weary of constant fighting with the federal government.

"They've come with specific demends but also with a very sincere intention to co-operate and are sensitive to the new willingness on our part to listen and respect their demands, even if we cannot fulfil them."

Not only in negotiating has he quickly got down to business. Last week a date was at last set for the first sale in the much delayed privatisation programme and Mr Moreira now expects to release one prospectus a month.

Mr Moreira's main emphasis is on image and "reasserting Brazil's place in a dynamic but sovereign fashion into the modern world economy".

An essential part of this is renegotiating Brazil's $63bn commercial bank debt, the developing world's largest. With the first down-payment on Brazil's $8bn arrears expected soon, "the next step is to begin a two-track negotiation with the International Monetary Fund and commercial banks and deepen our relation with other multilateral institutions".

Mr Moreira was optimistic: "The most irritating phase is always the arrears – now we hope for an agreement on the principal as quickly as possible." He is sticking with the previous economic team's "capacity to pay" concept, which was "not sufficiently understood", he said.

Moreira: called on to win friends

"Creditors have to understand our exchange and fiscal constraints. Our foreign trade is quite different to other countries – here the private sector generates the dollars but the public sector owes them."

He hoped Brazil's sincerity on resolving the debt question would help bring in foreign investment as an essential part of restarting growth.

"For 48 years growth was one of the characteristics of the Brazilian economy but I don't think we're ready to restart growth yet because we need to reach a minimum level of stability. But indications are we've reached the bottom of our recession."

Stability rather than surprises is the new message from an economic ministry which has produced five shock packages in the last six years: "There will be no Marcilio Plan."

US revises downwards estimate of GNP decline

By Michael Prowse in Washington

THE US Commerce Department yesterday revised down slightly its estimate of the recession's severity in this year's first quarter.

The latest figures show real gross national product (GNP) declined at an annual rate of 2.6 per cent, compared with an initial estimate of a 2.8 per cent fall.

The improvement mainly reflects positive revisions to trade figures.

GNP contracted at an annual rate of 1.6 per cent in the fourth quarter of last year.

In a separate report, the department said the seasonally adjusted merchandise trade deficit narrowed to $18.37bn (£10.6bn) in the first quarter – the smallest gap since 1983. This compared with a deficit of $27.54bn in the fourth quarter.

The improvement reflects a decline in imports, rather than stronger exports. Imports dropped 7 per cent to $119.2bn, due to the impact of recession on domestic demand and a sharp drop in oil prices. Exports increased by less than 1 per cent to $100.9bn as demand slowed in overseas markets.

The revised GNP figures confirm a rapid deterioration in capital spending. Non-residential investment declined at an annual rate of 15.9 per cent between the fourth and first quarters. Personal consumption fell at an annual rate of only 1.3 per cent - a slower rate of decline than at the end of last year.

Treasury warns on US bank insurance fund

By Peter Riddell, US Editor, in Washington

THE federal fund which insures bank deposits will run out of money next year, the US Treasury warned yesterday, writes Peter Riddell in Washington. Its losses will continue to rise sharply without urgent action to raise premiums paid by banks and new borrowing powers.

Mr Robert Glauber, Treasury under-secretary for domestic finance, told the House ways and means committee that the bank insurance fund was likely to be $22.2bn (£12.8bn) in the red by 1996 as a result of bank failures. It is expected to have a deficit of $2.2bn next year.

The Bush administration has proposed that the Federal Deposit Insurance Corporation should be allowed to borrow up to $25bn from the Federal Reserve system to cover these losses. The borrowings would be secured on an increase in premiums paid by banks from 23 cents per $100 of insured deposits to a maximum of 30 cents.

However, the financial institutions sub-committee of the House banking committee has accepted the Fed's objections to borrowing from the Federal Reserve system and instead proposed raising the FDIC's line of credit with the Treasury from $5bn to $30bn.

Mr Glauber argued yesterday that the Fed has always been responsible for protecting the banking system and should therefore have the role of replenishing the fund.

He rejected the view of Mr Alan Greenspan, the Fed chairman, that such a plan would compromise its independence.

Row over Aids drug patent

THE US National Institute of Health is considering legal action against Wellcome of the UK's Burroughs Wellcome subsidiary over patent rights to AZT, the only US-approved therapy against the Aids virus, Reuter reports from Washington.

Wellcome has exclusive rights to the AZT patent. Gay rights groups and others accuse the company of making excessive profits on the expensive drug, and ending the exclusive patent rights could mean reduced prices for AZT

Ms Bernadine Healy, the institute's director, said the agency believed its scientists should also receive credit on the patent.

NIH scientists first tested AZT on Aids patients after it was sent to them by Burroughs Wellcome. Another drug company, Barr Laboratories, wants to market a generic version of AZT but Burroughs Wellcome is fighting the proposal.

Brooke tries to clear way for talks on Ulster

By Ralph Atkins and Our Belfast Correspondent

MR PETER Brooke, the Northern Ireland secretary, paid a flying visit to London yesterday as part of his intensive efforts to overcome problems in finding an acceptable independent chairman for inter-party talks on the political future of the the province.

His swift visit, after which he returned to Belfast for more talks with local politicians, prompted speculation that candidates for the chairmanship were being interviewed before being presented to Northern Ireland's local political parties.

Mr Brooke is still struggling to get talks started even though nearly five of the 11 weeks he set aside for negotiations have passed. An extension seems inevitable if progress is eventually seen to be being made.

The nationalist Social Democratic and Labour Party (SDLP) is continuing to boycott the talks until Mr Brooke has reached agreement with the Unionist leaders over the procedures for strand two, when the Dublin government becomes involved.

The SDLP fears that without water-tight assurances the Unionists will stop talks progressing beyond strand one, which will involve only the four main parties in the province and look at setting up a devolved government.

Mr Brooke appears to have concluded that this requires progress to have been made in selecting the chairman, rather than just agreeing a mechanism for doing so and allowing strand one to proceed.

He is expected to present a slate of candidates before a final selection is made.

A sign of hope is Mr Brooke's decision to allow Mr Brian Mawhinney, Northern Ireland office minister, to chair a separate working party to draw up an agenda for strand one. The SDLP is represented on this committee.

A meeting of the Anglo-Irish conference has been set for July 16 – when talks are supposed to be completed. Mr Brooke and the Irish government could agree to another gap for further talks.

Employers face tougher fines over health, safety

By John Gapper, Labour Editor

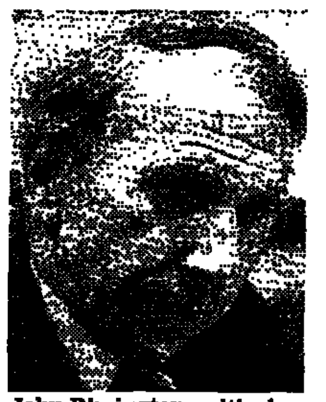
BRITISH courts will soon be able to quadruple the amount they fine employers for breaking health and safety law after a complaint that companies could be fined more for damaging the environment than for injuring workers.

The Health and Safety Commission (HSC) disclosed yesterday that the Home Office had agreed to raise the maximum fine from £5,000 to £20,000 after it told ministers that there were higher penalties for causing the death of flowers than people.

The HSC also said it intended to hire about 400 staff to cope with its new responsibility for safety in the North Sea oil and gas industry. The Department of Energy previously had only 120 staff carrying out inspection work.

The methods of inspecting safety measures in the North Sea were heavily criticised by Lord Cullen in his inquiry into the Piper Alpha rig disaster. The government subsequently transferred responsibility to the HSC.

The raising of the fine magistrates can impose for allowing serious injury to workers follows a sustained campaign for stiffer penalties by the commission and its administrative division, the Health and Safety Executive.


John Rimington: critical

Although Crown Courts can already impose unlimited fines for breaches of health and safety law, most cases go before magistrates.

Mr John Rimington, HSE director general, said it had told Home Office ministers that it was "utterly wrong that offences against the natural environment should attract greater penalties than offences against people".

Under the 1990 Environmental Protection Act, a maximum fine of £20,000 per offence can be imposed on companies that damage the environment in such ways as allowing chemicals to leak into rivers or to pollute land and damage wildlife.

Mr John Cullen, chairman of the HSC, said the government would raise the fine for health and safety breaches in this legislative session. The maximum is already being raised from £2,000 to £5,000 in the 1991 Criminal Justice Bill.

Magistrates fined companies an average of £877 per health and safety breach in 1989-90. Mr Cullen described one fine of £200 on a company after a teenage employee lost a limb in a machine it was prohibited from using as a "disgrace".

The HSE has prosecuted some companies on multiple counts of health and safety breaches.

One construction company was fined the maximum of £2,000 on each of 12 counts last summer, which could have meant a fine of £240,000 under the new law.

Mr Cullen, presenting the HSC's plan of work for 1991-92 in London, said the commission expected to have to rewrite all health and safety law covering the North Sea. He said companies were finding a tighter regime.

Mr Cullen said Lord Cullen had "said what he thought of the previous regime" of health and safety inspection. He said there would be far more frequent visits by inspectors to offshore installations in the future.

Shares in two Scottish power companies to be floated at 240p

By Clare Pearson

THE GOVERNMENT will announce this morning that shares in the two Scottish electricity companies are to be floated at a fully paid price of 240p to give a gross dividend yield of 5.1 per cent.

The offer price will give ScottishPower and Hydro-Electric a combined initial market value of about £2.8bn.

The terms mean the Scottish Office has been slightly more generous to investors than had recently been feared in the City. There had been concerns that the yield might be set at 5 per cent or even below.

That would have increased proceeds from the privatisation for the taxpayer but would have made the shares expensive relative to those in the electricity generators and distribution companies in England and Wales.

Scottish customers have the option of applying for shares only in their local company. All other investors will have to buy a package, each comprising 68 shares in ScottishPower and 32 in Hydro-Electric. The package will be split up when stock market dealings start.

The terms were struck after a bidding exercise carried out over the last week. Institutional investors were asked to say how many shares they wanted to underwrite at different yield levels.

These are notional yields based on the fully paid price and the dividends the companies say they would have paid in the year to March 31 if they had then been privatised.

The share price is spread over three payments with 100p payable up front. Customers will be asked to put up an initial minimum of just £100 initially.

BRITAIN IN BRIEF

Counter claims in PO dispute

Post Office Counters managers and union leaders both claimed vindication for their pay stances as counters staff began a four-day strike over a 7 per cent offer.

The Post Office said the Union of Communication Workers' call for stoppages in offices throughout the UK had been largely ignored. Four out of five main post offices were open for business as usual. Mr Alan Tuffin, the union's general secretary, said 7,000 of the 11,000 members called out had obeyed the instruction.

Community tax still uncollected

Ten per cent of budgeted income from the local government tax in England remained uncollected at the end of its first year of operation, the government announced.

The Chartered Institute for Public Finance and Accountancy also warned that the timing for introducing the new council tax by April 1993 was too tight, and the tax would need to be reformed soon after it was introduced.

Mr Michael Portillo, local government minister, announced that local authorities had collected 90 per cent of their budgeted 1990-91 community charge income by the end of March.

Lenders fail to give advice

Some large banks and building societies are failing in their social duty to deal with problems caused by excessive borrowing, Sir George Blunden, the former deputy governor of the Bank of England, said.

Money Advice Trust, established this year at the prompting of the government and backed by the Bank of England to raise money for debt counselling, had met with a disappointing response.

Directors' pay awards attacked

Mr Frank Dobson, Labour party energy spokesman, called on Prime Minister John Major to condemn pay increases awarded to directors of newly-privatised electricity companies.

According to Mr Dobson, the directors of South Wales Electricity had paid themselves a bonus of at least £8,000 each at the end of last year followed by a 45 per cent pay increase in April.

The company commented that the issue of directors' pay had been set out clearly in the prospectus.

Warning over isolation risk

Britain risks becoming isolated if it tries to catch up with Germany by developing its manufacturing sector, according to a former member of Mrs Margaret Thatcher's policy unit.

Sir Douglas Hague said that the world's most successful economies had a generally low level of their workforces employed in manufacturing.

Countries with the highest gross domestic product per head, such as the US and Canada, had less than 20 per cent of the workforce employed in manufacturing, whereas Germany, with a much smaller GDP per head had 32 per cent. Germany was out of line with the UK and the rest of the world he concluded.


Sir Douglas: warning

European air fares 'too high'

Business travellers are paying up to 30 per cent too much for continental air fares because of the lack of competition on the main European routes, said Mr Michael Bishop, chairman of British Midland.

He said lack of competition on European air routes could be costing British companies as much as £236m a year, based on the savings it could offer on the 15 busiest routes out of Heathrow.

British Midland says a survey found that eight out of every ten business air travellers would welcome more competition on European air routes.

Call for energy tax on fuel

An energy tax on petrol and industrial emissions would go some way towards cleaning up air that is so polluted that one in four people in Britain are now at risk from respiratory diseases, the Liberal Democrats said.

Mr Simon Hughes, the party's environment spokesman, urged the government to increase the number of monitoring sites for sulphur dioxide and nitrogen dioxide in the air.

Maths teaching criticised

The teaching of maths in further education colleges has been strongly criticised in a report by Her Majesty's Inspectorate.

Mathematics is an essential part of many vocational courses in colleges, but the HMI express concern that "a minority" of colleges have a policy for maths, and few regularly monitor and review their provision of maths teaching.

British Gas faces courts

British Gas is under increasing pressure to settle its pricing dispute with Thames Power, the consortium planning a 1000MW gas-fired power station in east London.

If a deal is not struck by the end of the week, Thames Power will take British Gas to court, according to Mr Ron Southern, chairman and chief executive of the Canadian company ATCO, which holds 45 per cent of Thames Power through a subsidiary. He said that British Gas had backed out of a deal at the last minute on several occasions during the last three months. A spokesman for British gas said "a settlement was imminent".

NHS may get extra funding

The row over the national health service continued when Mr William Waldegrave, health secretary (pictured above), accused Labour of running a "cold campaign of lies and distortions" and insisted his party had the better record on NHS spending.

Mr Waldegrave and Mr David Mellor, chief secretary to the Treasury, challenged the opposition party to make clear how much extra it would spend if elected.

Mr Mellor hinted extra funding could be made available in the next financial year for the NHS.

Top post for ex-ISE director

Ms Rhiannon Chapman, former personnel director of the International Stock Exchange, is to become the first woman director of the Industrial Society.

Mrs Chapman, 44, will be only the fifth director in the 73-year history of the independent training and advisory body.

Channel scoop

Channel Tunnel workers have found the biggest fossil of its kind in a cross-over passage. The nautiloid - a squid-like creature - weighs about 25 kilogrammes and is thought to be more than 95m years old.

UK-Italian venture likely to win toll road contract

By Andrew Taylor, Construction Correspondent

A JOINT venture between Trafalgar House, the UK construction, property, shipping and hotels group, and Italstat, Europe's biggest toll road operator, has emerged as the clear favourite to build Britain's first privately financed toll motorway.

Transport department officials are preparing a draft agreement which is expected to be sent to the joint venture shortly.

It is one of two consortia shortlisted by the department to build the 30 mile private motorway north of Birmingham, central England.

The other contender is a consortium led by Manufacturers Hanover, the US bank, and Cofiroute, a large French toll-road operator. This contains four British contractors: Robert M. Douglas, Alfred McAlpine, A. Monk and AF Budge and three French contractors: Sogea, Jean Lefebvre and GTM International.

A third bidder, a joint venture between Tarmac, the UK construction group, and Transroute, another large French toll road operator, was rejected by the transport department earlier this month.

The Birmingham Northern Relief Road is one of several schemes identified by the government as possible candidates for private finance.

These schemes include a second privately financed motorway to the west of Birmingham, which would link with the toll road to the north, creating an orbital motorway around the city, the second largest in England, most of which would have been financed privately.

The cost of the Birmingham Northern Relief Road is estimated at about £250m, and could rise to nearly £500m if financing charges and inflation are included. The toll to travel the 30-mile motorway is expected to be about £1.50.

French rail executive calls for pan-European freight network

By Richard Tomkins, Transport Correspondent

FT CONFERENCE

TRANSPORT IN EUROPE

A SENIOR executive of SCNF, the French national railway, yesterday urged European rail companies to set up a freight network to compete against road hauliers in the single market of 1993.

Mr Alain Poinssot, director of freight at SCNF, said rail companies in the European Community should collaborate more closely to operate a combined transport network with financial backing EC from member states.

Speaking on the second day of the Financial Times conference on Transport in Europe he warned that such a network could not be developed in isolation. It would only make sense if the different components of transport policy formed an overall whole.

At present, market conditions were such that margins were too thin for the railways to bear the burden of funding the relevant infrastructure alone, he said.

"From the strictly corporate standpoint, they would have to abandon this idea if there were no joint commitment on the part of the Community, states and regions, or local communities for funding infrastructure."

Mr Poinssot's call was supported by Mr Ian Brown, managing director of Railfreight Distribution, British Rail's freight division, who wants to see further measures taken to put railfreight on an equal footing with road transport.

Mr Brown, welcoming the initiative unveiled on Tuesday by Mr Malcolm Rifkind, the transport secretary, to encourage businesses to move more freight by rail, said the new proposals should take account of European requirements.

Mr Rifkind's intention to increase the freight facilities grant was "unquestionably a step in the right direction," Mr Brown said – particularly because it represented a first policy move towards the encouragement of intermodal freight systems (those switching from road to rail for the main part of their journey).

"When the detailed proposals are published, I would hope that they will include implementation of the EC directive on combined transport, which seeks to ensure that intermodal operators can compete on a level playing field with road haulage.

"There is at last recognition that, faced with the prospect of ever-increasing road congestion as well as all the problems which road transport causes to the environment, rail must represent a viable and environmentally friendly solution."

Mr Brown said nine freight terminals would offer direct daily services to continental Europe when the Channel tunnel opened in 1993. Terminals are planned at Strathclyde, Manchester, Liverpool, Teesside, Wakefield, Birmingham, Cardiff and two in London.

They would offer door-to-door transit times substantially faster than those available by road. A Manchester-Dijon, for example, would take 26 hours.

Mr Richard Dawbarn, chief executive of United Transport International, a big rail user, said he believed the private sector was best placed commercially to develop European rail freight business.

"However, in my view the railways cannot expect private sector financial support to grow until there are long-term policies clearly laid down by them which support such investment," he said.

A sharp attack on government plans for private sector roads came from Mr David Starkie, senior adviser to consultants Putnam Hayes & Bartlett. He criticised the government's "insidious regulation" of private sector road projects through interference in features such as the number of lanes.

Transport group demands more subsidies

By Richard Tomkins, Transport Correspondent

THE government's suggestion that moving more freight by rail provides a possible solution to traffic jams is sharply contradicted in a detailed study of Britain's transport problems published by the Freight Transport Association (FTA) yesterday.

Instead, the FTA – the main independent body for the road and rail freight transport industry – calls for heavy investment and bigger subsidies for public transport to encourage more people to leave their cars at home and switch to buses and trains.

One recommendation is that the government introduce an experimental scheme to reserve certain traffic lanes for vehicles carrying more than two passengers, as in the US.

The publication of the FTA report follows the keynote speech by Mr Malcolm Rifkind, the transport secretary, on Tuesday. The report – drawn up before Mr Rifkind made his speech – says the number of cars using the roads so far outweighs lorries that "cars are, and always will be, the main problem".

With the supply of road space failing to keep pace with demand, congestion will inevitably get worse, "resulting in a serious debasement of our economy and undermining our competitiveness with Europe."

The report was drawn up by a working party of 12 senior executives of large British companies including Marks & Spencer, P&O European Transport, Boots, NFC, Hillsdown Distribution, British Sugar and Esso Petroleum.

The report says that in spite of the recession and steps taken by companies to locate related business activities next to one another, it expects freight traffic to grow faster than even the higher of the two Department of Transport forecasts.

"The promotion of public transport is crucial to attempts to curb the scourge and cost of congestion," the report says. This will only be achieved if the quality, reliability and comfort of buses and trains is sufficient to encourage consumers not to use cars.

The report suggests some 89 measures which could help tackle congestion over the next 20 years. They include the appointment of a national traffic supremo to co-ordinate road maintenance and keep traffic moving; co-ordination of policing, possibly leading to a national traffic police force; and greater use of information technology.

In areas where public transport is not available, the report sees a role for employers to provide organised transport for their employees and, on a shared basis, those of neighbouring companies.

The Transport Dilemma; Freight Transport Association, Hermes House, St John's Road, Tunbridge Wells, Kent TN4 9UZ; £5.

'UK to recover more slowly than industrial competitors, led by Japan and Germany'

Economists deliver gloomy verdict on Britain

By Peter Marsh, Economics Staff

THE RECESSION in Britain will be longer and deeper than in any of the other large industrial countries, with a recovery delayed until 1992, the National Institute of Economic and Social Research said yesterday.

The institute's latest quarterly review says there is "little if anything to suggest that the upturn is in sight at all". It warns that companies face "uncertainty, financial distress and excess capacity" over the next six months, and that total business investment this year will fall by 10 per cent.

The likely path for the UK economy follows the general pattern for other large industrial nations, the institute says.

The recession, however, will be worse in Britain because policy errors in the late 1980s allowed "expansion to go too far", stoking up inflation and requiring a tight monetary policy to restrain it.

The institute expects growth in output in the seven leading industrial countries – the US, Japan, Germany, Italy, France, Canada and Britain – to decline from 2.5 per cent in 1990 to 0.9 per cent this year, before recovering to 2.8 per cent in 1992. The economic performance of Japan and Germany will be relatively buoyant, while growth will be more muted in the US, Canada, France and Italy.

Helped by general growth in worldwide trade, an export-led recovery will begin in Britain next year, according to the institute – whose gloomy views on the economic outlook contrast with the recent statement of Mr Norman Lamont, the chancellor if the exchequer, that recovery is "round the corner".

But the institute warns: "The recovery will be a slow one, with unemployment still rising." The jobless total, 2.18m in April, will climb to 2.6m by the end of 1991 and 2.7m by next summer, the institute believes.

Gross domestic product (GDP) will fall by about 2.2 per cent this year, with non-oil output declining by slightly more. "We expect non-oil GDP to stop falling in the second half of 1991 and to remain fairly flat for the rest of the year," says the review. In 1992, output is likely to rise by 2 per cent.

Inflation in the UK, as measured by changes in the retail prices index (RPI), has yet to fall significantly in response to the recession, the institute says. It expects the annual rate of rise in the RPI will come down to 4 per cent by the end of 1991, in line with the government's forecast.

Bank base rates, now 11½ per cent, are likely to fall by 1 percentage point by the end of the year, and a further ½ percentage point over the following six months.

Cheaper credit, meanwhile, will stimulate consumer consumption during 1992, even though "real disposable income growth will probably remain subdued".

In the corporate sector, the institute says output is likely to stay low this year, partly due to companies' high stock levels. The review says companies may cut stocks of goods and components substantially later this year, so reducing demand on suppliers and delaying the expected upturn.

Export growth this year is likely to be just 1 per cent, which is disappointing after the healthy expansion in exports during the late 1980s. "Given the recession, many economists expected UK manufacturers to switch from the domestic market to overseas, but weak world trade growth and a loss of price competitiveness may have prevented this."

The institute believes the Labour and Conservative parties have a roughly equal chance of winning the next election, which has to be held by mid-1992. It says the next government may have little room to raise public spending.

Much of any extra tax revenue over the next few years will be needed to prevent pay in the public sector falling behind that in private companies.

NATIONAL INSTITUTE REVIEW FORECAST

	Home Economy							World Economy		
	Real GDP† Total	Real GDP† Non-oil	Manu. Output‡	Jobless♦	RPI♥	Current Balance♣	PSBR♠	Real GNP☆	Consumer Prices☆	World Trade★
1990	0.7	0.7	-0.6	1.8m	10.0	-£13bn	-£0.9bn	2.5	4.4	3.9
1991	-2.2	-2.4	-6.0	2.6m	4.1	-£8bn	+£8bn	0.9	4.6	4.5
1992	2.0	1.8	2.8	2.7m	4.4	-£8bn	+£14bn	2.8	4.0	6.3

†Output measure, % change, year on year. ‡% change, year on year. ♦UK, wholly unemployed (excluding school-leavers), fourth quarter. ♥% change, fourth quarter on fourth quarter. ♣Year. ♠ Fiscal year. ☆Major seven industrialised countries, % change, year on year. ★ Volume of world trade, % change, year on year.

Data collection

When is market research not market research?

By Andrew Jack

Everyone's a winner in a fabulous new competition still open till July 5. The top prizes are holidays in Bangkok or Sydney, and weekend breaks in British country hotels. And there are consolation gifts – specially targeted junk mail and unsolicited telephone calls.

All you have to do is complete a questionnaire requesting detailed personal information about yourself and your family; this will be offered for sale to direct marketing companies.

The "Facts of Living Survey", offering prizes given by Qantas Airways and Hilton International Hotels and conducted by International Communication and Data, was distributed to 10m readers of weekly magazines and newspapers in the UK over three weeks this spring.

ICD, a USM quoted company since September last year, is one of the UK's three principal distributors of "lifestyle questionnaires" – a rapidly growing and highly profitable source of information about consumers, but one which has pitched the company into a battle with the market research industry and raised ethical questions about the use of personal information.

Under a series of headings including travel, health, motoring and investments, participants are invited to answer nearly 90 questions on subjects as diverse as the types of music they listen to, the number of cans of beer they drink at home each week, and whether they would support a charity that helps autistic children and adults.

"ICD gathers information like this on behalf of a wide range of British manufacturers and retailers," the instructions say. "This information helps companies develop products and services which reflect your needs...Your answers will form part of databases about consumers held for us by major computer bureaus."

In exchange for the information, respondents have the chance to win a series of holidays. They are also advised to ignore any questions they do not wish to answer, and to tick a box at the bottom of the first page if they do not wish their names and the information they supply to be passed on to companies other than ICD, Qantas and Hilton.

Despite these safeguards, lifestyle questionnaires like Facts of Living have infuriated some members of the Market Research Society. "There are massive issues at stake here," says Barry Lee, managing director of Public Attitude Surveys (PAS), who had a lively exchange with ICD last year on the letters page of the society's newsletter. "What concerns me is that these surveys are likely to blur the distinction in the minds of the public between research and selling," he says.

Market research surveys only use *aggregated data, ensuring that* every reply is confidential. Lifestyle information, by contrast, is essentially about compiling personal data to be sold to others.

Lee says much of his company's work focuses on delicate subjects such as AIDS, where confidentiality is essential. Lifestyle questionnaires, followed by mailings, will damage the credibility of anonymous replies. "If we can't talk to people about very sensitive subjects, whole areas of policy research will be cut out," he says.

Considerable reduction in statistical reliability

He is also concerned that the vast number of lifestyle questionnaires in circulation has helped cut the response rate on market research surveys over the past decade by more than 10 per cent to less than 70 per cent – considerably reducing their statistical reliability.

Last year PAS conducted a survey which showed that 31 per cent of Britons had received lifestyle questionnaires, while only 28 per cent had received genuine market research ones.

Three quarters of respondents also agreed with the question that personal details should remain confidential unless they positively stated that they wanted to receive direct mail.

At the heart of the industry's concerns is "sugging" – "selling under the guise" of market research. The same PAS research showed that 17 per cent of the UK population has been sugged – typically by telephone callers who begin by saying they are conducting a survey, and then switch to a hard sell for double glazing or financial services.

John Wigzell, acting director general of the Market Research Society, says the society considers the threat to serious market research sufficient for it over the past four years to have launched a series of initiatives – including identity cards, a special franking mark, and a free telephone number – so that the public can confirm whether companies making approaches to them are members of the society. Members are bound by its code which prohibits the distribution of the names of survey participants.

In ICD's case, some critics argue, the very use of words like "survey" or "questionnaire" – let alone the phrase "the information you provide will be used for statistical and analytical purposes" *at the top of the instructions* – give the false impression that it is conducting market research.

Aside from the lack of anonymity in the use of replies, describing Facts of Living as a "survey" implies using statistical techniques to select a group which reflects a representative sample of the population at large. Copies are distributed in magazines, with no attempt to chase those who do not reply, and there is a response rate of only 2 per cent.

"ICD is fundamentally a direct marketing database company," says Martin Kiersnowski, the company's director of surveys. "We don't purport to be gathering market research data. We make the purpose of the survey absolutely clear in the introductory letter. Only recently have people begun to use our data for research. It is up to them to decide whether it is statistically valid."

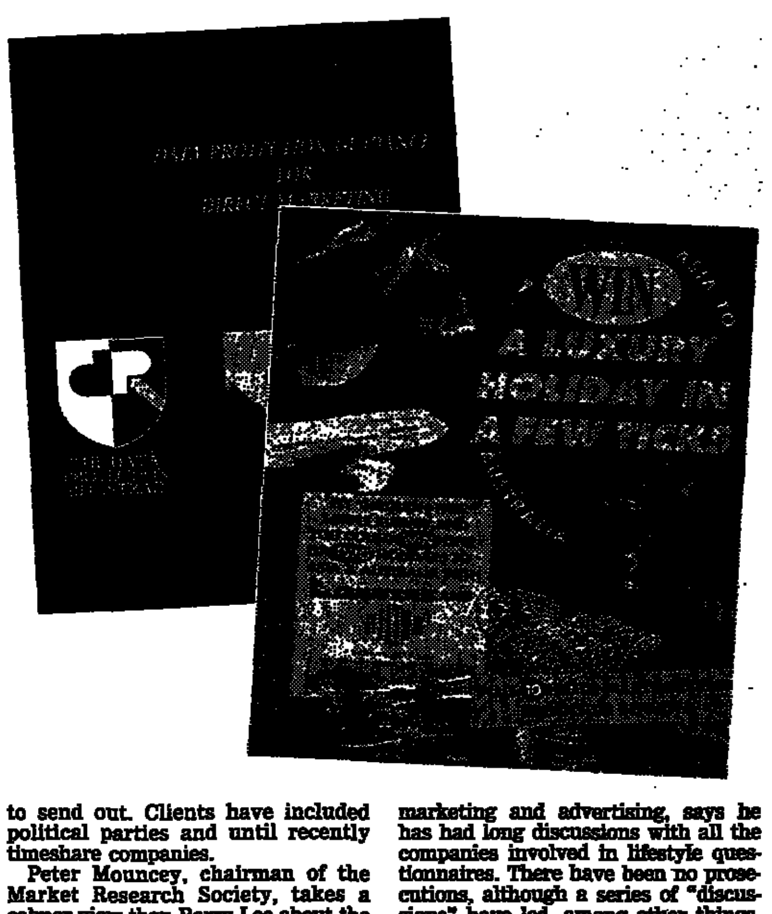
The survey costs £500,000 and runs twice a year. It is sponsored by some 20 companies, which insert questions related to their products. The information is also added to ICD's National Consumer Database, currently containing one million names, and is then sold to other organisations.

ICD charges an average of £1 for each completed questionnaire, but the minimum charge for the service is £12,000. Kiersnowski says that "hundreds" of companies buy the data collected through Facts of Living.

ICD vets the questions sponsors want to ask, and has vetoed ones on female hygiene products and medical aids, for example. Nevertheless, in the leisure section of Facts of Living respondents are asked whether their telephone is connected to a "System X telephone exchange". "If in doubt write in your telephone number," the instructions say – surely a ruse to obtain numbers?

"It's probably true to say that we get a better response than when we ask for their number next to their name and address," says Kiersnowski. "But if someone doesn't want to give their number, then they won't."

The company also says it vets the organisations to which it sells data, by inspecting the mailings they plan to send out. Clients have included political parties and until recently timeshare companies.



Peter Mouncey, chairman of the Market Research Society, takes a calmer view than Barry Lee about the actions of ICD. But he questions whether the public is aware of the full range of information about them stored on computer, who has access to it and how it may be used.

"The list builders are not bound by anything like the ethical standards of market research," he says.

The British Direct Marketing Association says that collecting information on the public allows direct mail to be targeted on those who have an interest in the products being sold. In this way it actually reduces the amount of unwanted, or "junk", mail sent to individuals.

As neither a member of the Market Research Society nor the British Direct Marketing Association, ICD is not subject to either body's voluntary guidelines. It was, however, criticised by the Advertising Standards Authority in March for a "survey" it conducted on charitable giving. The ASA said it did not specify sufficiently clearly that the responses would be used for mailing lists.

The only relevant legislation seems to be the 1984 Data Protection Act, the principles of which state that personal data to be held on computer must be collected and processed fairly and lawfully.

John Lamidey, assistant registrar at the Office of the Data Protection Registrar with special responsibility for marketing and advertising, says he has had long discussions with all the companies involved in lifestyle questionnaires. There have been no prosecutions, although a series of "discussions" have led, among other things, to the widespread adoption of "opt-out" boxes to prevent names being added to mailing lists.

"All I can do is negotiate," he says. "It's the classic British compromise. I believe the industry has moved a long way. But if you want me to go further, you have to give me the legislation to do that."

ICD is unmoved by the criticism. Martin Kiersnowski says he has received a "minuscule" number of complaints from the public about the survey, and that market researchers jealously see the rapid growth of his business as a direct threat.

In fact, the company has recently launched Contacstream, a new lifestyle questionnaire being sent to 250,000 homes a month. The aim is to double the size of ICD's database to 2m UK residents by the end of 1991.

"You have been selected to take part in a National Lifestyle Survey, because we value your opinion as a representative of the area in which you live," the letter begins. Only in the "PS" at the bottom does the familiar opt-out box appear, with the hint that data may be supplied to other organisations.

But then again there is everything to play for: win a colour TV, a visit to an Australian or an English country house hotel – and a lifetime of unwanted mail and telephone calls.

A further step into in-store television

John Thornhill updates Boots' experiment

The fate of in-store television advertising in Britain largely depends on a controlled test currently being conducted by Boots, the chemists chain. If successful, such advertising may become a permanent feature of high street shopping in Britain within the nest few years.

Following a year-long pilot experiment at its stores in Peterborough and Bury St Edmunds, Boots this week is *extending it to another* 10 stores – all in the TVS television region of the south of England. If this proves successful, Boots may roll out the concept next year at the rate of 10 a month which would embrace up to 500 of its 1,200 stores. Many other retailers would be bound to follow.

The advocates of in-store television claim it is a cheap and effective way of promoting products at the point of purchase, where, it is estimated, two-thirds of buying decisions are made.

As you stroll along the shopping aisles, the theory goes, a timely advertisement extolling the luxuries of a mango-scented bubble bath may just persuade you to splash out on such a discretionary purchase. Or another ad may remind you to buy a box of chocolates for Aunty Paula's birthday.

Boots' two test stores contain about 40 television screens suspended from the ceiling which simultaneously broadcast a pre-recorded programme of advertisements, much the same as would be seen on national television. The 20-minute broadcasts contain up to 20 half-minute advertising slots paid for by manufacturers interspersed with the retailer's own promotions and informational announcements.

From a retailer's point of view, in-store television advertising has several attractions: it seemingly stimulates sales; helps direct customers to areas of the store which are not frequently visited; and highlights customer promotions and other services. The costs of installing the system can be recovered from the charges levied on running the advertisements.

Several advertisers, such as Kodak, Johnson and Johnson, L'Oreal, Duracell and Clairol, are already using the system, in some cases with promising results. One of the benefits of in-store advertising is that its effects are immediately measurable in terms of sales levels of individual products at particular stores.

Using in-store television advertising is also cheap in comparison with using mainstream television or press. It costs about £3 to reach 1,000 consumers using Boots' television advertising, compared with £11 for regional television advertising or £15 for a woman's monthly magazine.

But the crucial determinant of the system's success will be whether it can lift the overall levels of sales at Boot's stores. Retailers do not want to introduce in-store advertising if its only discernible effect is to persuade customers to buy one tube of toothpaste as opposed to another. What they want is to increase *total levels of sales* – thus benefiting both retailer and supplier alike.

As yet, the statistical evidence from the two test stores is inconclusive. But Boots believes there is a strong suggestion that the two stores have increased sales overall by 1-2 per cent above those of comparable control stores.

Ian Robinson, Boot's deputy controller, marketing communications, says: "Statistically you cannot prove anything with two stores because it is too small a sample but we are sufficiently encouraged to try it in 10 stores."

Although a 2 per cent increase does not sound highly impressive, the greater levels of sales can have a considerable impact on a store's profitability. Given that many of the costs of running a store are fixed, the benefits of any increase in sales falls straight through to the bottom line.

Yet in spite of the possible financial attractions, Tony Max, managing director of Concourse Communications which designs in-store television systems, says the concept has met with great resistance from retailers. Many instinctively reject the television displays fearing that they will irritate their customers and staff and spoil their store designs. But such worries may quickly fade if Boots conclusively proves that in-store advertising does indeed produce more money in its tills.

Securing a fair deal for investors

By Anthony Gold

In recent months long-standing questions raised about the financial viability of the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra) have come to a head with the suggestion that the body may not continue in its present form.

There has been discussion about a possible new order of regulation. The most vocal participants in that debate have been the Securities and Investments Board (SIB) and the self-regulating organisations (SROs), but there are sound arguments for saying that it is the interests of investors which should be at the true centre of the debate. If changes are to be made, what would investors like to see?

First, the interaction between SIB, the SROs and the Investors Compensation Scheme (ICS) is confusing and complex.

The extent of SIB's control over the SROs and the ICS and its willingness to exercise such control as it has is unclear.

The perception by investors of the role of the SROs is also confused. Are they there as poacher, to take a critical look at their members on behalf of dissatisfied investors, or as gamekeeper, to protect their members against complaints by the public?

To what extent does the Department of Trade and Industry retain a residual role in investor protection?

A graphic illustration of the problems created by this plethora of regulatory bodies was provided in one recent case where my firm had to deal for one group of investors with SIB, Fimbra, the ICS and the DTI all within a couple of months. *A simplified system* would be warmly welcomed.

Second, many investors have suggested that a more rigorous system of vetting and compliance checks, with more resources, would detect irregularities at an earlier stage.

Fimbra has been robust in its defence of the existing system, even following the big reduction in its workforce earlier this year. But when long-standing irregularities come to light, it is inevitable that investors will question whether it is satisfactory to continue with a system of regulation for which the funding is constrained by the amount that the regulated are willing to pay for the privilege.

If a higher level of funding would produce a better system of regulation than that which has been provided by self-regulation, investors would clearly wish the extra money to be found.

Ironically, the immunity from suit which is afforded the regulators under the Financial Services Act has removed the very layer of protection which, in the form of a finding of maladministration by the Ombudsman, was the salvation – under the old regime – of the investors who were caught by the failure of the Barlow Clowes financial services group in 1988.

The question of immunity is difficult. On the one hand, it can be said that regulators who are at risk of being held directly accountable for their actions may become more concerned to protect their own position than to assist investors. Against that view must be placed the proposition that the potential of exposure to civil redress would not only be fairer to investors but more likely to encourage regulators to monitor closely the actions of their members.

Finally, and above all, investors question the adequacy of the safety net created by the formation of the Investors Compensation Scheme. My firm is currently dealing with the Scheme on four separate cases. *So far*, the Scheme has only made payment to some investors in one collapse.

There is nothing that suggests that this experience is unusual. In one case, the ICS was first notified of investors' claims almost 18 months ago. Earlier this year, more than one year after notification, they wrote to say that they considered that claims were likely to take a further considerable time to investigate.

Payment of compensation for the unlucky investors is not even on the horizon. In fact, the principle of payment has not been conceded by the Scheme. The reasons for the delays in processing claims are unclear. It may be simply that claims take a long time to investigate – although it is difficult to see how that suggestion could satisfactorily explain the length of time which is sometimes taken by the ICS to consider claims.

It may be that the ICS have somehow been drawn into the continuing debate between Fimbra and the DTI as to whether it should be the DTI or Fimbra members who should ultimately foot the bill for compensation in relation to investments made prior to the implementation of the new regime.

One thing is clear – investors who have in many cases lost all their capital do not feel able to wait long for compensation payments.

This more than any other aspect of the regime put in place by the Financial Services Act is the most discouraging to investors. The development of a prompt system of compensation would be at the top of the list of any investor who has experience of the existing system.

Some of the suggestions for change which have been made recently are depressing. In March, Mr Godfrey Jillings, the chief executive of Fimbra, suggested the ICS should not have to make payment in cases where investors at "at fault". This is feared by some as a backdoor route towards effective *abolition of the Scheme*, thereby reducing its drain on the members of the SROs.

Investors who are already hard-pressed in their efforts to extract money from the existing Scheme despair of proposals such as this. They would also argue that the reasoning behind this type of proposal is unsound – Fimbra should not be concerned to try to create a position in which investors are given an incentive to put their money into "safe" schemes because they run the risk of being deprived of compensation if they do not, and the adviser folds.

Rather, Fimbra's objective should be to ensure that close monitoring of their members prevents the problem from arising in the first place. If the system fails, then investors would argue that it is right for the Scheme to make payment without discrimination.

Indeed, investors would argue for higher individual limits for compensation than the current limit of £48,000 on the ground that the present limit does not reflect the type of sums which are currently at risk.

SIB and the ICS have applied to the courts for guidance on whether the compensation fund should be used to compensate investors whose monies were invested prior to the implementation of the Financial Services Act.

Fimbra will be arguing in those proceedings for a restrictive interpretation of the rules. Investors may be forgiven for believing that the desire of Fimbra to lighten the financial burden on its members is far greater than its desire to *ensure that compensation is* paid in appropriate cases.

One other change which would certainly help would be to reduce the inevitable cost and delay which arises from the not-infrequent involvement of a number of accountancy firms in a single collapse.

In a case such as Dunsdale Securities, for example, in *addition to the firms of accountants* from whose offices the liquidators have been appointed, two additional firms are retained by the ICS and the Serious Fraud Office respectively.

In this situation, there will be an inevitable overlap in some of the exercises conducted by each firm and if access to the companies records is limited, a degree of delay somewhere along the line is inevitable.

In cases where a liquidator has been appointed, there must surely be scope to dispense with the need for a separate firm of accountants to be appointed by the Scheme, with the attendant risks of delay and duplication of work which can arise.

At the time of implementation of the Financial Services Act, it was suggested that a system of compulsory professional indemnity insurance should be an essential ingredient of any system of investor protection.

Insurance is not compulsory, although many financial advisers have it. The *problem is that* policies commonly exclude liability to investors *for* frauds commited by the principal of the firm.

As that is exactly the scenario which investors fear most, policies written on that basis provide little comfort. Accordingly, even where insurance policies are in existence, investors of collapsed companies commonly need to have recourse to the ICS.

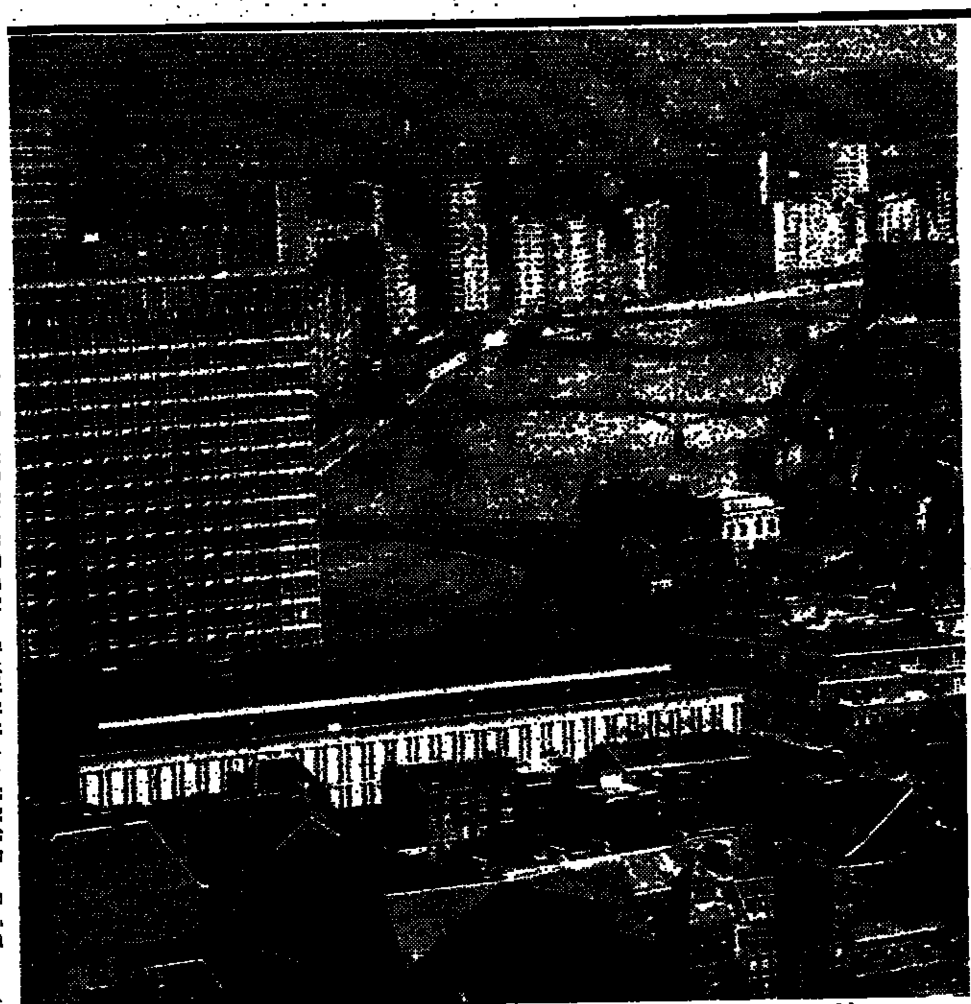
The need to have a workable and fair system of compensation is likely to remain.

The author is a partner in Manchester solicitors, Alexander Tatham, a member of Eversheds, the national law firm.

FINANCIAL TIMES SURVEY

WALLONIA

Thursday May 30 1991



A city both historic and modern: Liège, capital of Wallonia, maintains a centuries-old battle for dominance of the region. See page 2

Wallonia, traditionally industrial, is trying to rebuild its economy on new foundations, writes David Buchan. The French-speaking south is also seeking new powers in the federal state of Belgium, and foresees an EC in which regions will rival, and may one day replace, nation states

Clamouring for autonomy

TO THE surprise of almost everyone, including many of the 3.2m Walloons themselves, Wallonia is coping rather well with its new-found regional autonomy.

Outside the European Community, Walloons have struck up special relationships with such diverse regions as Quebec, Maryland and Slovakia. Closer to home, they see an EC in which regions will rival, and maybe one day replace, nation states.

Since the mid-'80s, investment has flowed into the region, and the government has kept its finances in the black. Having barely digested the wide-ranging economic powers devolved on Belgium's regions in 1988-89, Wallonia is clamouring for more, such as the right to sign international (economic) treaties with foreign countries, while remaining within the security and monetary union of the Belgian federal state.

"We are not doing fantastically, but by continuing to pursue an economic policy of rigorous choices, we can stave off the scenario of catastrophe that many initially predicted", says Mr Bernard Anselme, prime minister of the regional government based in Namur.

There are several reasons why eyebrows might be raised at Wallonia's desire to make its way on the world stage. One is that the southern part of Belgium has never had the international recognition that the rival region of Flanders has had since the Middle Ages. Many is the foreigner who will hazard a guess that Walloons speak Flemish rather than French.

(The Walloon dialect, of which there are many variants, is in fact nearer to old French than modern Parisian is. The foreigner may be even more confused when he learns that Belgium's small German-speaking community comes under Walloon government for economic, though not cultural, purposes.)

The forthright Walloon response is that only by a greater international role can such ignorance about the region be dispelled.

Until recently, too, the region's long decline in its traditional industrial sectors of steel, coal, and glass had seemed to generate fatalism. There appeared to be few successors to such Walloons as Ernest Solvay, Zenobe Gramme, Lo Baekeland, and Etienne Lenoir, who taught the world ways of manufacturing soda ash, the dynamo, bakelite, and the internal combustion engine.

Latterly, however, companies have mushroomed in hi-tech areas like biotechnology and space. Walloon trade unions used to throw themselves at the feet, or the throat, of a deeply indebted Belgian state to bail them out. Now industrial peace largely reigns.

Then there is the issue of relative wealth in Belgium. The two other regions, Flanders and bilingual (French-Flemish) Brussels, are richer than Wallonia. Accepting self-reliance means, for Walloons, accepting that they have less than the other regions to rely on. A transitional arrangement will continue until the late '90s to provide a modest transfer of resources from Flanders and Brussels to Wallonia. Even after that, social security will remain a national responsibility, so that Walloons will have part of the cost of their higher unemployment rate paid by their fellow Belgians.

Wallonia has been lucky, Mr Anselme freely admits, that the latest devolution of power to the regions coincided with the boom in the Belgian and European Community economy. The total volume of investment, aided by Mr Anselme's government, rose to Fr45bn in 1987, to Fr78bn in 1988, and to more than Fr90bn in each of the following two years. So, after a miserable first half of the decade in which the Walloon economy grew by a total net 1 per cent, the region started to make up for lost time, with the growth in industrial output rising to 6 per cent in 1988 (faster than Flanders that year) and falling back only slightly since then.

This economic surge has brought little money directly into the coffers of the regional government, which is still largely reliant on central government donations, running at about Fr100bn a year, to carry out its designated responsibilities. These include economic expansion, foreign investment, the environment, energy, public works, vocational training, a large part of research and development, and the promotional side of foreign trade – in short, almost anything that affects business.

But it produced a specific windfall – extra dividend income from Cockerill-Sambre, the largest steel company in Belgium, which is 80 per cent owned by the regional government. Some of this was used to repay Fr10bn in loans that Cockerill-Sambre had taken from its majority owner, and another Fr5bn has been spent on housing, employment aids, and containers for recycleable waste materials.

Partly to take advantage of the better economic climate, and partly because the European Commission told it to do so, the Walloon government has made its investment aid policy more selective. "We are re-orienting our aid towards sectors of higher value like biotechnology, agribusiness, engineering, and chemicals, and away from sectors like construction or retailing," says Mr Anselme.

The most important overall result is that "we have not yet borrowed a single franc", says the regional premier. This, in turn, has helped his French speaking socialist party, traditionally seen as spendthrift by many Belgians, to campaign for the coming national elections under the slogan of *"générosité responsable"*. At the same time, the region has been able to make a modest goodwill gesture by paying more to the French-speaking teachers, for whom Mr Anselme's government is not responsible, but whose rolling strikes disrupted so many Walloon households last year and may again do so this year.

But black spots remain. Unemployment is stubbornly high in Mons-Borinage (27 per cent), Charleroi (26 per cent), and Liège (24 per cent), which makes the Wallonia jobless average up to nearly 20 per cent, more than double that in Flanders, though not far above the nearly 17 per cent in Brussels. The past 25 years have seen Wallonia change from an economy owing 53 per cent of gross regional product to industry and 42 per cent to services, to one based only 36 per cent on industry and a full 60 per cent on services. Services have not, however, provided enough jobs yet.

The structure, too, has changed within Walloon industry, where the vast majority of people used to work in a small number of very big companies. This is no longer true. Mr Pierre Beaussart of the Association of Walloon Businesses says only 173 Walloon companies, out of a total of some 64,000 , employ more than 500 people. This is not entirely the sign of the job-creating flexibility associated with a proliferation of small new firms. Some companies, like Fabrique Nationale of Liège and ACEC of Charleroi, have been split up into different entities, while shrinking overall. More hopeful, however, is the burgeoning of new hi-tech companies in pharmaceuticals, bio-technology and even aerospace, often grouped around universities. To talk of "Walifornia" is a trifle absurd, but non-polluting brainpower is playing a more important part in the region's economy.

In contrast to Flanders, Wallonia harbours almost no separatists. Many Walloons are, however, impatient with Mr Wilfried Martens, the national prime minister, to finish the federalising job he has begun. They particularly want to get their regional hands on agriculture, where they see *l'état Belgo-Flamand* as perpetuating Flemish predominance in the processing of Walloon meat, flour, sugar. They also want more say in transport, particularly the terms on which the TGV rapid train will cross Belgium.

They may have to content themselves with the only thing currently on offer from the Martens government – the right for regions to conclude international agreements on matters within their internal competence.

INSIDE

FACT FILE

	Wallonia	Belgium
Area (000 sq km)	16,844	30,518
Capital	Liege	Brussels
Population (million)	3.24	9.95
Population density (people/sq km)	192	326
Currency	Belgian	francs (Fr)
Total GDP (Fr bn)	1,335	5,099
Industrial output (1970=100)	111.7	146.7
Unemployment rate (%)	19.8	16.7

Structure of employment (% share)		
Farming, forestry	0.4	0.3
Water, energy	1.8	3.4
Minerals, chemicals	28.7	18.1
Metal engineering	17.1	15.9
Other manufacturing	14.4	13.3
Construction	1.9	0.9
Hotels, services	28.1	33.6
Transport, communications	3.7	9.6
Public services	1.4	0.8
Financial services	2.5	4.1

Traditional rivals: Robert Schiltz (left), mayor of Liège, and Jean-Claude van Cauwenberghe of Charleroi

David Buchan looks at a centuries-old rivalry

Liège and Charleroi — a tale of two cities

RIVALRIES abound in Belgium, not only between Wallonia and Flanders but within these regions.

Foremost in Wallonia is that between the Liegois and the Carologiens, the inhabitants of the region's two biggest cities, Liège and Charleroi.

The balance of power has swung back and forth over the centuries, with Liège undoubtedly the early leader. An independent principality for centuries, Liège overthrew its Prince-Bishop and enthusiastically joined revolutionary France in 1795. After 20 years as the French department of L'Ourthe, the city fell under Dutch control for 15 years. It was after that that Liège became part of Belgium, and the first area of continental Europe to follow Britain into heavy industry.

By contrast, Charleroi took its name only in 1666 from King Charles II of Spain, then ruler of the low countries; and only in 1977, as the result of being merged with neighbouring communes, did it narrowly overtake Liège as Wallonia's largest city.

Liège will be the stop between Brussels and Germany for the high-speed TGV train, which will pass Charleroi by

It has since fared better, putting its municipal finances into the black while Liège has been plagued by mounting debt and occasional scandal. The pendulum may, however, swing back, with Liège being designated as the stop between Brussels and Germany for the high-speed TGV train, which will pass Charleroi by.

In fact, both cities illustrate the problems and perspectives facing Wallonia as a whole. Both have seen their traditional manufacturing decline sharply. Liège has lost 90,000 industrial jobs in the past 30 years, with most of the redundancies coming in Cockerill steel (founded by an Englishman of that name), Fabrique Nationale (makers of the world famous FN guns) and Vieille Montagne (refining of non-ferrous metals). Barely half these job losses have been compensated for by growth in services.

In Charleroi, similar restructuring has come in mechanical engineering, with ACEC being auctioned off in pieces and steel-making being cut drastically.

The fate of Liège and Charleroi has now been partially joined together with the merger of most of their remaining steel facilities in Cockerill-Sambre.

Liège has been pulled down further by a mixture of past, privilege and profligacy. As the historic centre of the Meuse basin, the city had always provided services for the surrounding region: half the schools in Liège province, for instance, lie within greater Liège. In these circumstances, it was hardly surprising Liège availed itself of the privilege of being one of the five big Belgian cities to borrow abroad. In the process, it ran up a debt that last year totalled Fr77bn. Faced with bankruptcy, the city council talked of starting to sell off Picasso and other art treasures, until last year when the Belgian state stepped in to take over Fr45bn of the debt, and to guarantee the roll-over of the remainder in a 30-year loan.

Even so, Mr Robert Schiltz, who has just taken over as mayor from a fellow socialist who is being investigated for taking kick-backs on contracts, says the city is still desperately strapped for cash. Nearly half its annual income goes to pay Fr4bn a year in debt service. Despite paying his municipal workers 20 per cent less than the Belgian norm, Mr Schiltz says: "We still need another Fr1-1.5bn a year to run proper services and repair the ageing fabric of the city."

He adds that there is no hope of raising local taxes "which people feel are too high already".

Fiscally, Mr Jean-Claude van Cauwenberghe, mayor of heavily socialist Charleroi, says his city is far better placed, with a mere Fr4bn in debt and a city budget that is roughly balanced. He takes credit for this financial improvement in his eight years in office, having taken a tough-minded attitude to laying off city workers. But it is also the case that Charleroi has never carried the same level of services for the surrounding region that Liège has.

Both mayors hope the worst is now behind their cities, and that they can create the right general conditions to attract investment to diversity their local economies.

Mr van Cauwenberghe, perhaps the most powerful regional boss in Belgium's French-speaking socialist party, says he is "a radical federalist rather than socialist". As a supporter of "market economics and private enterprise", he says: "I spend three quarters of my time encouraging investment and trying to settle any industrial relations problems." The result is that there is more "social peace" in Charleroi now than in Ghent (in Flanders) or in Liège, even though "many people still think we are the worst" in terms of strikes.

Not surprisingly, both mayors want to make the most of their cities' positions roughly in the centre of the single EC market. Mr van Cauwenberghe believes that being off the direct TGV route will not hurt Charleroi, provided it can get a high-speed link of some kind. He puts much of his stress on developing Gosselies airport. He is convinced this can effectively serve as "Brussels-South" airport.

Charleroi is also raising its bridges to take bigger boats on the Sambre river.

Transport also features large in Mr Schiltz's development hopes for Liège, which is already Europe's third largest river port after Paris and Duisberg in Germany. Mr Schiltz, too, has a vision of wooing Eurocrats to in Liège "with our good hospitals, opera, orchestra". They would commute to Brussels on the TGV.

Paper and graphics keep forestry business ticking over

Tintin saves the day

ALL TOO often, Walloons complain of being in neo-colonial thrall to Flanders, providing basic steel and agricultural products which their fellow Belgians in the north profitably process. This is not the case in much of the forestry, wood and paper industry.

There is a pleasingly complete economic cycle here. It starts with the forests of the Ardennes, which account for 80 per cent of the entire country's woodland. It moves through the big paper mills situated in the Belgian province of Luxembourg, the town of Nivelles and the heights of the Hautes Fagnes to the east of Liège. It continues with the high-class graphics companies in and around Charleroi, and ends with the production of youth books and cartoon strips *(bandes dessines)* that have been such a feature of French-speaking Belgium publishers and designers since Herge put the tow-headed Tintin in the hands of children around the world.

The drive between Brussels and the grand duchy of Luxembourg takes one through great chunks of the Ardennes. The size of these leads one to imagine they must be all in the hands of companies or feudal landlords. Far from it. It is true that 47 per cent of Belgian woodland is in public lands, but the 53 per cent that is not is divided between no fewer than 106,000 owners, with an average of 3 hectares per owner.

For several centuries, says Mr Michel Terlinden, of the Royal Forestry Society, Wallonia's woodland has become gradually divided up. Peasants long ago acquired from landlords the customary rights to use woodland; landlords then often got fed up with effectively having squatters on their land, and sold a large part of the freehold to the peasants. Today, therefore, it is common for, say, a village postman to have his 3 hectares in which he "forests" or hunts at weekends.

Recent acts of God and man have, however, been hard to woodland owners, says Mr Terlinden. Their chief scourge is inheritance tax, which on a "direct line" transfer (from father to son) is up to 30 per cent, and on an "indirect line" (uncle to nephew) is up to 80 per cent.

Particularly hit by these economics is the growing of hardwood: in the lifespan of an oak, for example, which might be 200 years, there might have been six or seven generations of owners. The profit from the harvesting of an oak after two centuries might therefore have to cover the costs of paying inheritance tax six or seven times over.

The growing of hardwoods has therefore become a luxury that only the state or local authorities can afford. Relatively puny grants for forestry management — BFr5,000 a hectare for a first thinning of trees — are of little help.

Compounding this, the storms of early 1990 levelled large numbers of trees (more than four times the number of those hit in 1984) and sent wood prices plummeting. The price for large beech has fallen from Fr4,000 a cubic metre to Fr1,500, and that of Norway spruce — the Ardennes' main species — from Fr3,000 to Fr800 a cubic metre. Until these prices recover, private wood owners at least have little or no incentive to replant, says Mr Terlinden.

The highest value from timber comes from turning it into furniture, a process which at the moment takes place largely in Flanders — Mechelen and Antwerp in particular, which are nearer sources of imported wood and larger population centres than Wallonia. The Walloon regional government is trying to remedy this by encouraging local furniture-making.

There is no need to provide any artificial stimulus to the paper and graphics industry which has long taken root in the southern part of Belgium, and in recent years attracted substantial foreign investment.

Foremost among the foreign flags flying in the Walloon paper industry is the Spanish group, Torraspapel. Through recent privatisation exercises by SRIW, the Walloon government's public holding company, Torraspapel has become the largest shareholder in Cellulose des Ardennes, in southern Wallonia near the French and Luxembourg borders, and in Intermills near Malmedy. Both companies ship between 75 and 80 per cent of their output abroad.

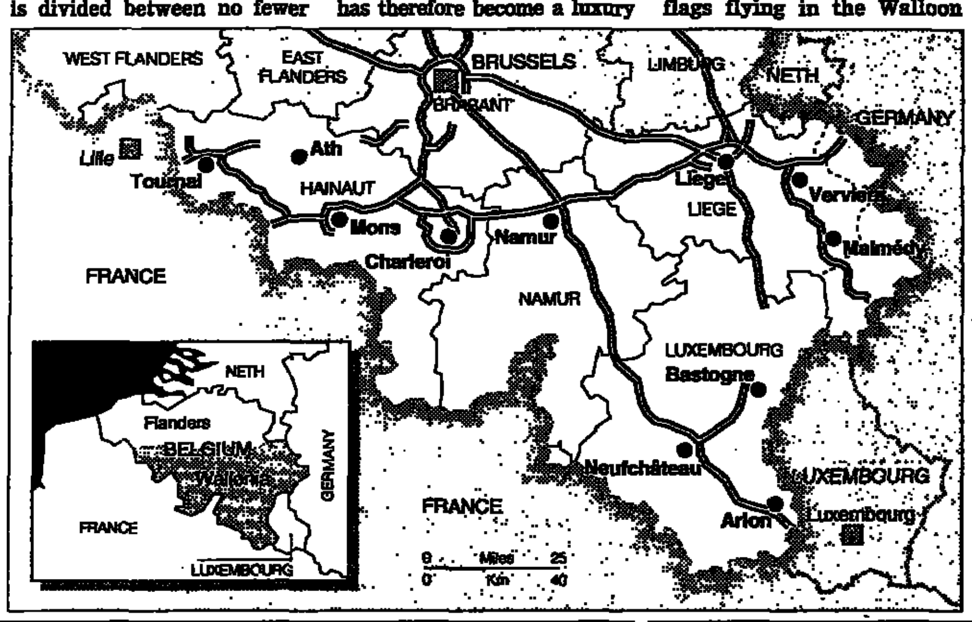
On a lesser scale, but still large enough to make it one of the largest British investments in Wallonia, are the Wiggins Teape mills at Nivelles and Virginal, where some 1,500 people are employed to produce carbonless paper for the photocopying industry.

Some of this is raw material for such companies as Graphing-Graphossart Reunies of Heppignies and smaller companies in the Charleroi area, which turn out many of the glossy company reports that land on Financial Times desks, as well as annual collections of Vogue magazine.

More intriguing is the combination of high-quality design and imagination that makes Belgium, particularly the French-speaking part of it, a big creator and exporter of children's books and strip cartoons. Indeed these two categories account for 80 per cent of the books exported by the AEDB, the trade association of Belgium's French language publishing houses. There is, in fact, one other Walloon literary speciality, founded on the tradition of Walloon grammarians of the French language. Though Wallonia may, in total, be swamped by the French publishing industry, much of the average French school child's knowledge of irregular verbs and other horrors has come from Walloons like Maurice Grevisse, Andre Goosse and Joseph Hanse, many of them with Flemish backgrounds.

Quite why this should be so remains a mystery. The best explanation seems to be that Walloons make extra efforts to overcome their handicap, in French eyes, of being on the periphery and of speaking with an odd accent.

D.B.



The biotechnology industry

Science, commerce join up

LIKE the fish eggs with which it works, Eurogentec, a Liège biotechnology company, had small beginnings. And, like fish eggs, a number of hi-tech companies around Wallonia are being spawned by the marriage between science and commerce.

Eurogentec is illustrative of development in the region. Six years ago, Professor Joseph Martial of Liège university's genetic engineering department, together with three others, got together the minimum Fr252,000 and decided to set up a commercial "spin off" of their scientific research into pisciculture. Today, Eurogentec employs some 30 people, has a capital of Fr125m, and is building a factory to make vaccines for fish farming.

Biotechnology is a competitive and costly business. To make ends meet during its modest expansion, Eurogentec has had to do contract work for bigger companies, and buy in molecular biology products to trade on to laboratories. Even after it has built its factory, the company says the payroll will stay below 50 people. Eventually it hopes to become a fully-fledged and recognised pharmaceutical company.

Others that are beginning to dot the Walloon countryside range from firms which, like Eurogentec, are barely out of the chrysalis, to established giants like Solvay (in enzymes) and SmithKline Beecham, which long ago set up in Genval, between Brussels and the new university town of Louvain La Neuve.

Others are beginning to dot the countryside, from new firms to big multinationals

Among products it makes there are vaccines against hepatitis B. SmithKline Beecham's scientific director, Mr Pierre Crooy, doubles as president of the Belgian Bio-industry Association, which groups 25 companies and university departments, chiefly from Brussels and Wallonia. This association has opened an office as far afield as Tokyo, where it employs a Japanese specialist to put its members in touch with Japanese companies in the same field.

Liège is not the only Walloon university to play a role: the universities of Gembloux, Brussels (through its clinical genetics offshoot at Nivelles in Wallonia), and Louvain La Neuve have all contributed.

Mr Crooy gives high marks to the Walloon regional government, which first started to target biotechnology for promotion under Mr Melchior Wathelet (now Belgium's justice minister). The policy has been vigorously continued by Mr Albert Lienard, who is responsible for the region's science policy as well as external relations and public planning.

Mr Lienard has a total of Fr3.5bn a year to spend on subsidising up to 50 per cent of the cost of companies' basic research programmes. In addition, there are regional government loans which are paid back once the research in question becomes commercial. Occasionally, the regional government will agree to finance research abroad, provided the company formally commits itself to producing at least 80 per cent of the eventual product's added value in Wallonia. Not surprisingly, such aid is finding an increasing number of takers — 40 companies in 1989, and 71 last year.

'A programme of partnerships' is being developed by local government

In addition, says Mr Lienard, "we are developing a programme of partnerships", to bring companies together with the 2,000 researchers who work in the region's 16 scientific centres. Under this programme, the regional government puts a technology expert into a company, generally a small one. It pays his salary for a while, and then asks the company if it is interested enough in the expert's services to start footing his wage bill. Some 123 experts were thus put into companies last year, and 73 per cent of them were taken on permanently. "This helps companies stay abreast of new technology and counteracts the traditional tendency, particularly of small companies, to stand pat with their existing technology," Mr Lienard says.

An increasingly important source of funding comes from the European Community. The EC, for instance, has launched a Fr35bn research programme in new materials. Some 80 Walloon companies have voiced interest in taking part in this, and Mr Lienard sees it as his job to ensure that as many as possible do so. Brussels is where the action is, and this is one reason why, unlike most of the Walloon administration, Mr Lienard bases himself there.

D.B.

David Buchan on inward investment

Walloon arms are opened wide

"HOWEVER much Edith Cresson may rail against Japanese investment, we are all for it," says Mr Jean-Marie Agarkow, representing the attitude of French-speaking Belgium in clear contrast to that of the new French premier.

Indeed, Mr Agarkow, deputy general manager of the foreign investment committee, and others in the Walloon government whose task is to promote inward investment, have just pulled off their first big coup in persuading Aisin of Japan to spend Fr7bn on a new plant at Ghlin-Baudour to build automatic gear boxes. This will initially create 260 new jobs in the depressed Mons area, where the placement of Nato's Supreme Headquarters Allied Powers Europe (Shape) has done nothing to offset jobs lost with the closure of the Borinage coal mines.

More modestly, Nissan has decided to spend Fr1bn on a research centre at Louvain La Neuve.

In the 18 months Mr Agarkow's team has been in operation, foreign companies have committed Fr7bn in greenfield investment, while those already in Wallonia have sunk a further Fr33bn into their facilities. The latter figure is a tribute to mega-investment successes of the past, such as the 5,000 people employed by Caterpillar at Gosselies or the large chemical complex of Ethyl Corporation at Feluy.

Outside Europe, Walloon government officials are scouring north America, Scandinavia (whose current investments in Belgium have been mainly Brussels real estate), Japan, South Korea and Taiwan for potential investors.

Within the EC, Walloon officials detect a new desire on the part of British industry to implant itself in the heart of the single market. A British engineering company has decided to set up in the Charleroi area, while Ramfield of the UK is to start making resins in Liège. The sums involved are relatively small, totalling Fr500m, but will appreciably lift the UK's modest stake in Wallonia.

Given Germany's preoccupation with rebuilding its eastern part, the other most promising sources of investment seem to be France, northern Italy and Catalonia in Spain.

Wallonia will have to divert more of its investment incentives to the southern industrial regions

Wallonia is having to revise its investment schemes, in response to EC demands that richer members rein in national investment aids to their own regions, so as not to nullify the effect of EC aid to poorer member states. Henceforth, Wallonia will have to divert less of its annual Fr7bn to Fr9bn of investment incentives to the more prosperous northern strip of the country (running from Tournai to Verviers). More will go to the industrial regions of Mons, Charleroi, La Louvriere and Liège, and its most southerly province of Luxembourg.

These areas also get some EC money, amounting to Fr8bn in 1990-91, which has been used to particularly good effect in the very southern tip of Luxembourg province where the creation of a "European development pole" (straddling over into depressed French Lorraine) has drawn substantial foreign investment.

Given the Commission's new crackdown on indiscriminate aid, Walloon officials are planning to follow Brussels' goals in targeting investment aid to specific processes that conserve energy or the environment, to key hi-tech sectors like electronics, and to small businesses. The definitional threshold for the latter has just been raised to cover companies employing up to 250 people with a turnover of up to Fr250m.

Generally, Wallonia wants to keep new industrial investment within the bounds of the region's traditional industrial zones, both for environmental and employment reasons. It is not, however, proving easy to prepare old sites for new industry, says Mr Agarkow, citing the decade it has taken to dismantle the MMRA steel mill at Athus in southern Luxembourg and clean the site up for new investors.

Charleroi is a particular problem because of the chaotic way heavy industry was allowed to build close to the city centre.

Wallonia's new planners are proving choosier. One example Mr Agarkow cites is a planned joint venture between Nutrasweet of the US and Ajinomoto of Japan. This fell through. "We offered so little aid, because we thought the project would be quite polluting while providing little employment, that the investors departed for France," he says.

Should investors run into trouble, there is an outside chance their investment might get a helping hand from the Walloon Regional Investment Company (SRIW). This public holding company was set up in 1979, during an earlier phase of regional reform, with capital of Fr47m that has now grown to Fr17bn.

It has two main functions. One is to provide start-up funds to, and take equity in, new companies, where the activities are considered by the Walloon government to be important to the region's technological base or diversification. An example is the 31 per cent stake the SRIW took in UCB Bioproducts, because biotechnology is an area the Walloon government has been strongly promoting.

The FN Moteurs investment decision was clearly based on political, not economic, grounds

Its other task has been to prop up lame ducks, particularly companies which the Namur administration regards as too important to be allowed to go bust.

This spring, for instance, the SRIW took over some of the holding of Société Générale de Belgique in FN Moteurs by raising its shareholding in the Liège jet engine maker from 6 to 24 per cent. Given that FN Moteurs was at the same time announcing further losses and cutting its workforce by as much as a third, the investment decision was clearly based on political, rather than economic, grounds.

The hope in Liège is that the move will encourage Pratt & Whitney of the US to come in as a minority shareholder in FN Moteurs, in which Snecma of France already has a 51 per cent stake.

Aerospace and defence

Synergy of academia and industry

HIGH on a ridge east of Liège stands a building, set in a leafy industrial park, that gives the lie to the conventional view that the Walloon aerospace and defence industry subsists on metal-bashing subcontracts to foreign companies.

Inside the building is IAL Space, a group of several dozen casually-dressed academics who make up the Liège Astrophysics Institute. They still teach at the university, but since the mid-'70s have become predominantly involved in contract work for the European Space Agency and industry. IAL Space's speciality is optics, telescopes, cameras, remote sensing, robotic vision, and image processing.

What is evident even to the layman is the synergy between universities and industry which the Walloon government hopes will spread to other sectors and regions.

One of the directors, Mr Christian Jamar, stresses the institute's basis is that it has become an established centre for ESA to test optical equipment of all kinds. But it has also spun off two companies, one to exploit optic polishing equipment and another (with Matra of France taking a stake) to develop optical equipment for space launches.

In addition, IAL Space has begun to do general industrial consultancy for firms quite outside the sector, such as the Solvay chemical group, as well

Export dependence leads to peaks and troughs, compounded by licence difficulties

as helping Belgium's three main aerospace companies – Sabca, Sonaca and FN Moteurs – with their space work.

For these companies, space contracts have become more important, with the vicissitudes of economic recession and East-West détente hitting their more traditional civil and military activities.

Sabca and Sonaca, both general aircraft builders, have managed to keep their heads above water, through putting new electronics into the F-16 fighter and Mirages which the Belgian air force flies and through civil subcontracts on the family of Airbuses.

FN Moteurs has had a much harder time. It produced its last engine for the F-16 some time ago, and has nothing to replace that programme because of the Belgian government's decision to update the F-16 rather than buy a new fighter aircraft.

Through Snecma, which owns 51 per cent, FN Moteurs has gained some work on Airbus and a test contract for the Rafale fighter programme. It is, however, cutting its work force by a third.

By contrast, its original mother company, Fabrique Nationale, the 102-year-old Liège arms maker, may have turned the corner when it was bought by Giat, the French state-controlled arms company, last year.

The company, now called Fabrique Nationale Nouvelle Herstal (FNNH), says it is confident of the industrial logic of the takeover, for several reasons.

Firstly, their new owner understands the arms business, and its cycles, in a way that its old majority owner, Société Générale de Belgique, did not.

Secondly, the FN range of small arms, many of which have become standard Nato

Space contracts become important as civil and military activities decline

issue, complements that of Giat, which has always built larger weaponry.

Thirdly, FN has precisely the exporting experience which Giat lacks. Because of the small size of the Belgian market, the Herstal company has always had to sell 90-95 per cent of its production abroad.

Of course, such export dependence leads to peaks and troughs, compounded by the occasional difficulty of getting arms export licences out of the ruling Belgian coalition, which has the highly moralistic component of the Flemish socialist party.

Mr Albert Diehl, FNNH's chief, described his government's refusal to provide ammunition last year to British forces in the Gulf as "disarming naiveté".

Making amends, but to Washington rather than to London, the Belgian government decided to make US forces a present of nearly 1,000 FN machine guns, worth $2.6m.

What may, in the end, keep FNNH permanently buoyed up is its sporting guns and goods division, which includes the range of Browning and Winchester repeater guns selling extremely well in the US.

This will not not do much for employment at Herstal, the Liège suburb where guns have been made since the 15th century, but it should keep FNNH out of the red.

D.B.

Andrew Hill profiles Cockerill-Sambre

A hitch in the 'plan Gandois'

JEAN GANDOIS, chairman of the Belgian steelmaker Cockerill Sambre, is a Frenchman, but he has first-hand experience of the regional squabbling which sometimes dogs Belgian politics.

Last summer, Cockerill and Arbed of Luxembourg announced they were in talks about pooling their flat steel products activities. The companies wanted to give themselves the clout to compete in Europe and

The group must find a partner if it is to remain competitive with giants of the sector like British Steel, Usinor, Thyssen and Ilva

internationally in flat products, which are mainly used for producing cars.

What gave the discussions an added piquancy for Belgian observers was that Arbed's steel-making subsidiary, Sidmar, is in Flemish-speaking Flanders; Cockerill's in Wallonia. Indeed, Cockerill is 85 per cent owned by the Walloon government.

But just before Christmas the companies announced that "le mariage mixte" was off.

Some blamed political hostilities between the regional governments for the collapse of the talks, but Mr Gandois says the real stumbling block was disagreement about the structure for a partnership between the two companies.

Cockerill is not actively wooing other potential partners, and Mr Gandois is philosophical about the broken engagement: "I was a little disappointed, but in business you do a lot of negotiating and it doesn't always work out."

But he also knows that the Belgian group will have to find a partner in the next few years if it is to compete with giants of the sector like British Steel, Usinor of France, Thyssen of Germany, and Italy's Ilva.

In 1989, Cockerill more than doubled its net profits to Fr15.4bn, reaping the benefits of the "plan Gandois" which the Frenchman helped instigate when the Belgian government appointed him as consultant to the ailing company in 1983.

He became chairman in 1987 and has seen productivity, product mix and Cockerill's resistance to global volume fluctuations all improve.

At the same time, Cockerill has been trying to diversify. About 40 per cent of its sales come from steel-making, 40 per cent from trading and 20 per cent from activities and products such as mechanical engineering, car components and building products. The recovery of the core business has spurred on attempts to expand in other areas, for example through last year's Fr3bn acquisition of a majority stake in the German car components supplier Ymos.

Mr Gandois believes the split ought to be more even by 1995, with diversified activities representing perhaps 30 per cent of sales.

But these are trying times for the steel sector, and Cockerill, like its rivals, has been hit by sharp falls in the prices of steel products, aggravated by a slump in global demand.

Mr Gandois says 1990 was still a good year, although profits were slightly down at

Cockerill should outlast the downturn. 'The recession would have to be very long and very deep for us to suffer', says Mr Gandois

Fr12.5bn, but 1991 will be difficult. He does not expect the construction and automobile industries on which Cockerill is largely dependent to recover before the beginning of 1992.

Mr Gandois has experienced hard times before. Apart from his involvement with Cockerill, he has been a consultant for Arbed and is still chairman of Pechiney, the French metals group. He believes that having cut its workforce from 26,000 to 12,000 since 1983 without losing production, Cockerill should be lean enough to see out this downturn.

"We don't have a lot of debt to repay, nor a lot of essential investment to make. We need a relatively small cash flow to survive. The recession would have to be very long and very deep for us to suffer," he says.

Cockerill's commitment to Wallonia remains undimmed, in spite of the downturn in the steel sector. In March the group announced it had chosen Charleroi for the site for a new Ymos automotive components factory – an investment of Fr750m which should create 150 jobs – and committed a further Fr500m to improvements at another subsidiary near Liège.

The mutually beneficial links with Wallonia will not, however, be enough to ensure Cockerill's survival as a world player in the steel industry. Mr Gandois knows that at some point the company will have to renew the search for a partner "(otherwise) changes in technology will make new investment essential and we won't have the size to make those big investments", he warns.

Philosophical: Jean Gandois

Wallonia is more than just the industrial south: Chateau de Beloeil is one beautiful landmark

TECHNOLOGY

Dedication produces the edge

Designing the best widget or concocting the best potion should, in *theory, give manufacturing* companies a lead in their field. But increasingly instrumental in determining success or failure is how technologies are managed.

Starting from the general feeling that many British manufacturing companies were under-performing, the London-based Fellowship of Engineering, which promotes engineering in the UK, set about discovering how Britain's best-performing companies managed technologies.

One result of the study was to produce a list of practices which other companies should *follow* in order to extract as many benefits as possible from their technology.

The 11 companies selected to take part in the study were all UK-based and chosen because *they had made measurable* progress in their own specialist fields in world markets. They were Lucas Industries, Rover Group, Rolls-Royce, GEC Avery, GEC Sensors, British Steel, Pilkington, ICI, the building and civil engineering company Amec, Renishaw and the Fairey Group, which makes electronic controls.

One important lesson which came out of the study, says John Osola, former executive secretary of the fellowship, is that any company which neglects to invest consistently in its staff, products and manufacturing technologies will fail or fall prey to a more enlightened competitor.

Perhaps the best advice to other companies wanting to emulate the companies studied is that sustained commitment over a long period is required from the board level downwards: there is no "quick fix" or magic approach that will reap results overnight. A further finding was that in most of the companies the chief executive officer was a professional engineer or had scientific qualifications.

Della Bradshaw

The Management of Technology in United Kingdom Manufacturing Companies: £30. The Fellowship of Engineering, 2 Little Smith Street, London SW1P 3DL.

In the last of a series, **Charles Leadbeater** assesses the ingredients for a national innovation strategy

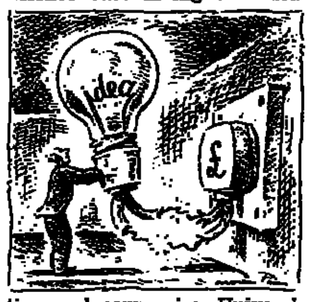
Policy in need of inspiration

Innovation policy is moving to the centre stage of political debate about economic and industrial policy. If there is one clear area of agreement between Peter Lilley, the trade and industry secretary, and Gordon Brown, his opposition shadow, it is that government must have a policy on innovation.

When Britain emerged from *the recession of 1980-81 the* main focus of micro-economic policies was upon the labour market, trade union reform and restructuring of production. As the UK emerges from the recession of 1990-91 it seems that policies on innovation could take on that role.

Lilley told an audience of business leaders in Birmingham last week that shortcomings in the UK's approach to innovation were mainly a cultural failure. Innovation would be best promoted through coupling competition with a cultural revolution to give practical sciences and engineering a *higher status* in *society*.

He unveiled a package of modest proposals designed to improve the transfer of technology and people between the science base in higher educa-



tion and companies. Universities will be able to apply for Department of Trade and Industry funds to improve their marketing of services to companies. There will be more industrial units at universities and polytechnics designed to build links with companies.

Labour believes the UK's shortfall in innovation is due more to market failure than a cultural failure. It argues that the main reason the UK under-invests in research and development is because the market – particularly the capital markets in the City – undervalues it. To correct this undervaluation the state should offer tax incentives for companies to make good the shortfall.

Adjudicating between the costs and benefits of these different approaches is fraught with difficulty. The debate about innovation policy has only just got started. Rather *than delving into detail it may* be more useful to assemble a general guide to the range of issues which an effective innovation policy should address.

The most important is to locate where in the process of innovation the main weaknesses lie. Innovation is like a stream, stretching from the upstream work of scientific research to the downstream activities of applying that to commercial ends. Is the UK's weakness primarily a poor supply of scientific invention or *inadequate demand from companies* because they are not looking hard enough for technology that they could exploit commercially?

There is evidence that Brit*ish spending on research and* development, particularly in civil areas, trails that of its international competitors. However, one of the main conclusions of the mid-1980s Alvey programme of collaborative research into information technology was that the companies involved were not ready to commercialise the technologies which were explored.

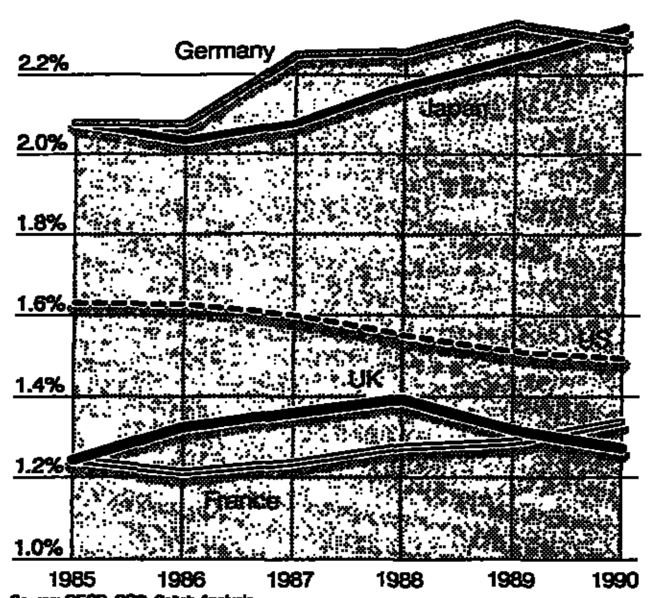
One of the weaknesses of innovation policy is that it has been regarded as little more than science policy, according to Mark Dodgson, an analyst at the Science Policy Research Unit at Sussex University.

"The government has concentrated on the supply side far too much, with the promotion of science parks. That assumes there are swarms of firms just dying to get their hands on technology but they are unable to find it. In fact the real problem is often that the companies are not demanding the technology. Innovation policy has to stimulate demand as well as supply," says Dodgson.

An Anglo-German study published last year of innovation and industrial strength in the UK, Germany, the US and Japan makes a related point. It found that soft commercial skills such as marketing are as important to commercial innovation as hard technological skills. It concluded: "In mar*kets that are worldwide a product* range requires continuous updating. Furthermore, the economic skills of market intelligence and planning are as essential as the technological skills."

R&D INVESTMENT

2.4% of domestic production (industry)



Source: OECD, CSO, Scitab Analysis

A second important question is the extent to which companies need to have proprietary technologies to maintain a competitive edge. Integrating technology produced by others is becoming an increasingly important skill, particularly in products which use computers and software. British companies such as John Brown in gas turbines and Smiths Industries in avionics integrate and modify technology developed by other companies to specific niche markets.

However, there are limits to how far a country can go in simply acquiring technology produced by others. The UK needs to maintain its technological prowess in some key areas such as chemicals, phar*maceuticals and aerospace.*

This long-term strategic commitment to develop technological expertise in key areas is one of the main strengths of the German innovation system according to John Cheese, an analyst at the Centre for the Exploitation of Science and Technology.

"Firms must have clear technology strategies, focused on the technological capabilities they have to have to compete effectively. The German system has greater strategic purpose and it is co-ordinated better as a system than the UK approach," he says.

How well co-ordinated an economy is in its approach to innovation will turn on three main issues:

● **Links between companies.** A recent study of the dynamic Baden Wurtemburg economy by researchers at Cardiff University found that links between large and small companies to foster joint research and *set high standards for suppliers* was vital to that region's record for innovation. More importantly, small- and medium-sized companies in Germany rely upon a network of local institutions such as Chambers of Commerce which provide information about how to acquire technology.

● **Links between central government and local institutions.** In some areas such as defence the government should play a *role in setting out a clearer* vision of how it sees demand for military technology developing, according to Phil Gummett, a Manchester University specialist on science policy. Government should make as clear as possible the framework which companies should plan within.

However, many of the detailed policies on innovation need to be delivered by stronger local institutions able to tailor policies to local economic needs. The main conclusion of a National Economic Development Council report on innovation published last year *was that the UK lacked strong* regional bodies to promote innovation. This may be corrected in time with the growth of Training and Enterprise Councils.

● **Links between education and commerce.** The government could go further in blurring the line between the public sector world of university research and the private sector of companies and private research organisations. One idea might be to establish some clearly defined techno-universities to develop as centres of excellence in areas such as electronics.

The final issue is whether innovation policy should be national or international in its outlook. What matters within an increasingly integrated European economy is whether the UK is an attractive site for research, development and innovation work, regardless of whether it is done by British, German or Japanese companies. Companies are increasingly internationalising their research and development – in past years Japanese companies such as Sharp, Kobe Steel and Nissan have set up R&D centres in the UK.

It is perhaps time for the politicians to take some of their own medicine. Having set out their stalls on innovation policy, they should engage in the kind of process of continuous improvement and innovation of policy which they urge companies to undertake for their products.

Previous articles appeared on April 25, May 2, 9, 16 and 23.

Special delivery over the phone

By James Buxton

In Europe we are so used to *having our mail dropped* into our own letter boxes by the postman that we forget that in many parts in the world there are no postmen. People have to go to the post office to collect their mail from locked boxes which they rent.

Picking up one's mail at the central post office is the norm, for example, in the Gulf states and Saudi Arabia. Often the post office is in the centre of the city and the rush to pick up the post can cause traffic jams and clog car parks.

But now an electronics company in Scotland has devised the ultimate convenience for *the inhabitants of the oil-rich* states: a system whereby people who rent mail boxes can telephone the post office computer to ask whether there are any letters for them.

As a refinement to help them decide whether it is worth driving downtown, the computer will tell them through its voice synthesiser whether or not their letters are registered, and whether they have any parcels waiting or packages needing to be cleared with Customs.

Raannd Systems, a small company operating from Livingston near Edinburgh, is now discussing details of just such a system with Ali Matter, director general of posts in Bahrain. Raannd's Autosafe system would operate in post offices all round the island state linked to a new postal headquarters building to be built in Manama, the capital. The system would cost between £2m and £3m depending on the number of boxes installed.

The system being developed for Bahrain is an enhanced version of one installed by Raannd in 1986 in Doha, the capital of Qatar, further down the Gulf. The Qatari government was building a prestigious £20m post office in the centre of the city and wanted the latest equipment. It put in a central computer system which logged the arrival and progress of every piece of mail coming into the post office.

The Scottish company, working with British Postal Consultancy Services (BPCS), a subsidiary of the Post Office, supplied the mail boxes. Each mail box holder has his own electronically-coded plastic card which opens the box and also activates a panel which can indicate in several languages whether there are registered letters or parcels for collection. When he collects a registered letter the pick-up is recorded by swiping his card.

Gordon Rankine, founder and managing director of Raannd, says that the Doha system works well. For Bahrain, however, *the company is* adding a voice synthesiser system which the customer activates through his touch-tone telephone – standard issue in the Gulf. The user will be able *to program the* computer to speak to him in his own language – whether Arabic, Urdu, Farsi, English and so on. Once the mailbox has been opened the computer assumes that the unregistered mail has been collected.

Rankine estimates that there is a world market worth about £50m for Autosafe, but admits that postal administrations only occasionally decide to build new central post offices, so that orders are likely to come only sporadically. But he is optimistic that over the next few years Raannd will achieve sales to other Gulf states and Saudi Arabia.

In the meantime the company, founded in the late 1970s and a specialist in cryptographic systems – coding systems used by banks and other high security operations – is concentrating on making computerised luggage lockers.

Raannd has sold models of its Loksafe system to British Rail and to railways in Austria, the Netherlands, Switzerland, Sweden, Germany and the US. It hopes to win a contract to install its locker system throughout British Rail's network, which would entail a big expansion of the company.

Traditional lockers are prone to theft because the keys can be copied. When a person puts luggage into the Loksafe system and closes the door it prints out a code number. To open the safe the user types in the code on a keypad.

"Our system pays for itself after six months or a year, *depending on what the operator charges,*" says Rankine.

ARTS

Rigoletto

CARDIFF

I left the theatre after this new production of *Rigoletto* feeling grateful to Verdi, and that's good. In this case, however, that's partly because no one else makes a very strong impression. Much about it is right-headed. But there is a shortage of those telling minutiae that form real style.

The details that struck me most came from the pit. Carlo Rizzi paced the opera briskly and firmly. String phrases in particular acquired new emphasis – as in Gilda's second verse of "Lassu in cielo." This, and the tautness of Rizzi's rhythm, are in the Toscanini tradition of conducting Verdi. What I most missed was elasticity of phrase.

Almost entirely in black, white and red, Joe Vanek's designs combine Renaissance and modern-day features with more or less smooth subtlety. A permanent box set is effectively altered from scene to scene to suggest different places. In the last scene, we look through Sparafucile's inn to see Gilda and Rigoletto behind. A nice touch; but after Gilda's murder the setting changes in mid-scene, returning to Sparafucile's alley wall, where Sparafucile again (this time plus corpse) meets Rigoletto. Verdi's continuity – so remarkable and beautiful in this act – is broken.

Patrick Mason's production otherwise creates a worthy framework for the drama, with some eloquent mini-incidents. When Rigoletto mocks Monterone, there is a pinpoint of silence, broken by the Duke's approving laugh, echoed immediately by the courtiers. As Act Two ends, the Duke enters to reclaim Gilda; and to judge from the richly elegant attire with which she starts Act Three, she has continued as his mistress in the interim. Monterone hears the first line of "Si, vendetta" before moving on to execution in a new frame of mind. These single threads gleam out from a half-bare tapestry.

The three principal singers are, respectively, American, Bulgarian and Filippino. It often looks as if communication in rehearsal was limited. Rigoletto is Richard Paul Fink. His robust power and slightly woody tone proclaim his connection to other American baritones – Warren, Merrill, Milnes. Physically, he makes much of this fool's deformity; and he sings in strong, full phrases. But the role's more softly lyrical passages ("Ah, veglia o donna") are as yet dull, and sometimes slightly flat on top. And "Si, vendetta" lacks the "ferocious joy" which Gilda ascribes to it.

Alexandrina Pendachanska brings to Gilda a small, beautifully warm and focussed voice that is not always ideally free. Her fast vibrato is slightly too intrusive, and her uppermost notes are squeezed. She can move, stand and gesture with real grace, but is inclined to hang upon her conductor. Noel Espiritu Velasco's bright, strenuous tones lack some of the finesse for the Duke's music. His finest moment is the first reprise of "La donna è mobile," sung absolutely as if fading into sleep.

The text is complete, with a few surprises. The Duke tells Sparafucile to supply him with "Tua sorella, e del vino;" Verdi would be pleased. But he would give the whole production a lot more rehearsal. It sings, it moves, but it doesn't yet breathe.

Alastair Macaulay

Anthony Hopkins as Dr Hannibal Lecter in 'The Silence Of The Lambs'

CINEMA

Cannibalism on the mind

Here is the cast of characters. A trainee FBI agent specialising in "psycho-behavioural" work (Jodie Foster). A serial killer nicknamed *Buffalo Bill* (Ted Levine). Several female victims, ranging from dead to just about alive. And another, incarcerated serial killer (Anthony Hopkins), who dispenses wisdom from behind bars, talking to visitors where he cannot, as he would prefer, eat them.

The Silence Of The Lambs is directed by Jonathan Demme (*Something Wild, Married To The Mob*) from Thomas Harris's murderously witty novel. A black comedy that chilled the smile on your face, the book proposed a transexually-inclined killer who flayed women so that he could wear their skins. But he was not the star of the novel. Nor was agent-heroine Clarice Starling (Foster). It was Dr Hannibal Lecter, cannibal and consultant criminologist.

As in Harris's earlier book *Red Dragon*, filmed as *Manhunter*, Lecter sits in the story's margins shelling out advice. And as in that earlier film, where Brian Cox gave him a memorable lop-jawed suavity, he is played by a British actor. Anthony Hopkins knocks everyone else, including the fine Miss Foster, off the screen. Favoured with giant close-ups, he resembles a human cobra: gleaming, hypnotic, courteous, caressing his sibilants. "People will say we're in love" he quips, to nervous audience giggles, as Agent Starling keeps returning for advice on how to trace Buffalo Bill. We even giggle at his memory of a census-taker he once took a dislike to. "I ate his liver" comments Hopkins, "with a bottle of chianti."

The Silence Of The Lambs has made over $100m in the US and has eaten up rain-forests of newsprint. American critics are penning "mood of today" pieces as if there were no tomorrow, spurred on by the coincidence of several simultaneous films about killers and psychopaths, including *Misery* and the soon-to-reach-us *Henry: Portrait Of A Serial Killer*.

But Jonathan Demme's film, scripted by Ted Tally, is no flagship for our times: it is a competent melodrama spun off from a fiendishly clever book. If serial killers are *à la mode*, it is because one successful swallow can create a box-office summer full of them. The film's fascination lies in the way a new twist is given to a very old Hollywood trope. Hopkins's Hannibal takes that ancient oxymoron of movie characterisation, the cultured villain, and polarises his extremes.

Lecter is at once hyperbolically cultured – a reader, a music-lover, an ex-psychiatrist – and hyperbolically barbaric. He is Stone Age man and Renaissance man rolled into one. For inspired absurdism, nothing in the film matches the scene where Lecter, trussed like a chicken and muzzled like a dog, is trolleyed forth from an aeroplane to meet and advise – by telepathy? – a woman senator whose daughter's life is in peril.

Hopkins even breathes mesmeric menace into the idea of a spiritual barter between Lecter and Clarice. While she brings her psychology questionnaires to the prison, wanting Lecter's insights into Buffalo Bill's mind, Lecter wants to get into *her* mind. The "silence of the lambs" relates to her key childhood memory, and his desire to reach it becomes a form of psychological cannibalism. This subplot gave the novel, and at times gives the film, a prickly profundity undreamt of by most murder thrillers.

THE SILENCE OF THE LAMBS
Jonathan Demme

GRAVEYARD SHIFT
Ralph Singleton

SIBLING RIVALRY
Carl Reiner

LE COP 2
Claude Zizi

But the movie's temperature falls whenever Hannibal Hopkins leaves the screen. Elsewhere director Demme moves Miss Foster around as if she were a a rare plant failing to find warmth. While she glows in her scenes with Hopkins, she chills out in the cliché'd briefing sessions with FBI boss Scott Glenn and in the narrowing, one-gauge search for Buffalo Bill's lair.

Once she stumbles on that, she becomes a standard-issue damsel in distress, pursued by heavy-breathing music. And her quarry proves to be yet another standard-issue gay killer. (Is Hollywood becoming the capital of homophobia?) In Harris's book the murderer, far from being merely a squeaky pederast with a pet dog, was an asexual demon virtually identity-less until he donned the deadly skins.

But then, what matter? By the time we reach the chase-me-round-the-cellar climax, we have already been betrayed by one glaring mendacity in the mise-en-scene. (Can a place title deliberately mislead? It can). And we hanker for the return of the vanished Hopkins, whose acting has performed a surgery even more remarkable than Buffalo Bill's. He creates the film's only fully-rounded human being from the only "inhuman" character in the story.

Graveyard Shift, based on a Stephen King story, is a would-be screamer that elicits no screams. The audience sits silent as lambs, but far more bewildered, as a tale unfolds of giant rats haunting a mill in Maine, New England.

John Esposito wrote the screenplay, Ralph Singleton directed, and if you can work out who is doing what to whom (and why), as the cast of unknowns hew away at the floorboards and battle floods and corpses, you are more resourceful than I. The only bright spot is Brad Dourif. He plays a mad, mad ratcatcher who has the funniest line in the film. Unfortunately it is also the most unprintable.

★

Of the week's comedies, *Sibling Rivalry* plumbs greater depths than *Le Cop 2*. There is something hypnotic about an ill-directed film that picks up a promising idea and then, like a dog holding too large a ball between its teeth, carries it about for two hours not knowing whether to keep it or drop it.

Kirstie Alley, overacting like mad, meets and beds her unbeknownst long-lost brother-in-law Sam Elliott, underacting like mad in preparation for his more extended role as a corpse. Dying *in flagrante* or just after, Mr E becomes the centre of another "What shall we do with the dead body?" comedy. (See *Weekend at Bernie's, Over Her Dead Body*).

I could have made several suggestions about what to do. But more continent ones are entertained by Ms Alley as she tries to keep the truth from sister-in-law Carrie Fisher, husband Scott Bakula, blind salesman Bill Pullman (no, blind as in "blind") and other characters too numerous to stay awake with. Carl Reiner directs from Martha Goldhirsh's script, which plays as if it began life as a rejected Broadway comedy.

Le Cop 2 began life as a gleam in the eye of *Cop 1* writer-director Claude Zizi. Clawing his way to the top of the cash avalanche created by the first film, the French film-maker here re-animates cynical gendarme Philippe Noiret and his young, once idealistic partner Thierry Lhermite. This time both heroes are "on the take", but they are boldly fighting the younger gendarmes who are even more on the take than they. "I want to go straight" sighs Lhermite in one scene. "What, leave the police force?" eyebrow-raises Noiret.

The film trundles along likably enough; though quite how it jumped the queue for entry into Britain ahead of better foreign films I am unsure.

Nigel Andrews

A Midsummer Night's Dream

OPEN AIR THEATRE, REGENT'S PARK

Never mind the unseasonable cold: put on your overcoat, hat, scarf and gloves or alternatively take a few blankets and go to Regent's Park to see the new production of *A Midsummer Night's Dream* with Roy Hudd as Bottom. And if the audience feels cold, pity poor Hudd who plays half the role half-naked, dressed in a kind of grass skirt and a Madonna-like metal bra. Everyone warms to it.

When Bottom is transformed, Hudd wears the best ass's head I have ever seen. The eyes roll, the eyebrows twitch, the ears move and the jaws, tongue and teeth do everything that can be expected of a thoughtful, lascivious beast who finds himself sleeping with the fairy queen. The production is worth seeing for the mask alone.

Hudd is a pretty good Bottom with the mask off, too. He can roll his eyes of his own accord. The key to his approach is that Bottom is not a dunce. Nick Bottom is a superior person: a weaver, not a bellows-mender, a tinker or a carpenter. As such, he is at the top of the working class hierarchy. All the other workers defer to him, although there is also a kind of trade union solidarity.

Bottom may be easily the best actor in the bunch, but he accepts that he cannot play all the parts. When he plays Pyramus, he does it with some style, not as a clown. When Thisbe in her suicide scene finds she is missing her sword, the dead Bottom rolls across the stage to retrieve it for her. And when, in the play proper, Bottom is released from his dream, having had what he calls a most rare vision, Hudd gives the impression of a man who will think about it for the rest of his life.

It would be wrong to suggest, however, that that this is anything like a one-man show. All the fellow workers are excellent: note, for example, David Gooderson as Peter Quince, the carpenter and quasi-shop steward who can stand up to Bottom when he has to. See also Gavin Muir as Snug the Joiner playing the lion. This group of Athenian workers is an ensemble.

The lovers are a group in their own right as well. In their most disputatious scenes they look as if they are playing school rugby in the mud without a ball. There is a touch of the sixth form in their behaviour throughout, which is by no means out of line with the text. Sarah-Jane Holm's Hermia is exceptional. In Wednesday's conditions, she looked as if she had been through a scrum backwards. Higher up the social scale, the other outstanding woman is Anna Nicholas as Hippolyta, a society lady who has danced and hunted with the Athenian greats. Ian Talbot's direction is very strong on hierarchy.

There is less to be said for the fairies. They are mildly grotesque rather than pretty, though Bill Homewood is fully in command of the best of Oberon's verse. On the other hand, the colours are just right for the fading light of Regent's Park. People (and fairies) emerge from real bushes, not the pull-on trees that they have at the Barbican.

The sound effects take time to compete with the noise of the helicopters and live birdsong (not from nightingales) going on in the background, but in the end they win. When Puck says that he will put a girdle round the earth in 40 minutes, there is a most wonderful, encyclical whirring which no helicopter could beat. The music, by Mark Emney, is outstanding, especially the lullaby that sends Titania to sleep. If the weather ever gets better, you will probably fail to get a seat.

Malcolm Rutherford

Alastair Muir

Roy Hudd as Bottom

English Chamber Orchestra

BARBICAN HALL

David Matthews's Fourth Symphony, of which the English Chamber Orchestra gave on Tuesday the first performance, is an exceptionally well-wrought piece of symphonic argument which is at the same time a felicitous display of musical wit. The two virtues need not, of course, be strangers to the Classical symphony, which is the model here drawn upon – now directly, now in a mood of sometimes wry challenge. Haydn, after all, frequently proved the point; and it is Haydn, invoked by Matthews in the programme note, who in the best way hovers over the Fourth Symphony's half-hour-long, five-movement discourse.

It starts, by the standards of Classical symphonies, unconventionally – instead of the expected bustle of theme statement and development for full chamber orchestra, there is a series of unison or near-unison lines for contrasted orchestra voices, thrown up decoratively over static harmonies. The effect is at once beautifully fresh and dramatically intriguing: a sense of expectancy for bigger things is built up which amply pays off when harmonic bases are finally "discovered", at the movement's end.

Having whetted in the listener an appetite for both long-range thinking and unexpected approaches to symphonic structure, Matthews then satisfies the hunger in various lively and elegant ways. His inner movements are not the traditional ones but a syncopated *moto perpetuo*, a quietly brooding *Andante con moto*, and a delicious tango; the middle movement, moody and even spectral, is Brittenish (as one might expect from a composer so closely associated, as assistant, with Britten's final period) in the muscular poetry of the wind and horn writing. One senses, too, a Britten-like affection for the ECO which colours the tone and shape of the musical lines.

What, on a first hearing, I felt the symphony lacks is a strong melodic profile: particularly in the finale, the clinchingly memorable statement so cunningly prepared for never seems to arrive. But that's an impression I hope will be dispelled in future performances. And certainly the Fourth Symphony deserves them: few new compositions possess its combination of tough clarity of thought and ebullient good humour.

The premiere, by the ECO under Mark Wigglesworth, capped a richly rewarding concert of English music: Tippett's Concerto for Double String Orchestra, Richard Rodney Bennett's thin, neatly fashioned Saxophone Concerto (brilliantly played by John Harle) and a brightly pointed, sometimes ravishing account of Britten's *Les Illuminations* with Rosa Mannion as soprano soloist. The young conductor tends to punch rhythmic accents a bit hard; in general, his vitality and keen musicianship make it easy to understand why his star is rising so fast.

Max Loppert

The Philharmonia

ROYAL FESTIVAL HALL

In recent years the American conductor Leonard Slatkin has done a service in taking English music, of which he is a masterly interpreter, to the world at large. At this concert the favour was returned and he brought with him a work by Joan Tower, an American composer whom Slatkin invited to a composer residency in the mid-'80s with his own orchestra in Saint Louis.

The piece in question was *Sequoia*, Tower's first major orchestral piece, now a decade old. Its title is taken from the giant redwood tree, whose roots and branches loosely provide a structural shape for the music. In style, though, the whole work might itself be seen as a small branch on the far larger tree of the post-Stravinsky musical family. The score pounds energetically forward on motor-rhythms and, on the occasions when it pauses for breath, lights upon those same sharp and cleansing sounds of which Stravinsky was the undisputed master.

Enough of interest passes by – mostly rhythms and textures – to hold the attention, though on first hearing the work would seem to lack any deeper sense of purpose. The Philharmonia came across well in it. This kind of music suits the orchestra better than Straussian late romanticism, in which its sound these days can be decidedly ungrateful.

For that reason it was fortunate that Slatkin's view of *Ein Heldenleben* after the interval should not place any significant emphasis on beauty of tone and line. His was a dynamic hero, setting out with a fine rhythmic swagger at the beginning and going into battle later with some fairly garish colours on his standard. A bit of a brash fellow altogether; but at least there was nothing indulgent about the performance, which was decisively led by Slatkin at every turn.

In between, Emanuel Ax was the soloist in Mozart's E Flat Piano Concerto, K.271. After Barenboim's romantic Barbican account of the same concerto a month or two back, this felt a moderate view of the piece indeed, neither allowing itself his indulgences, nor revealing any comparable insights. The finale went with Chopinesque dexterity. Otherwise Ax's playing was rather lost between the strong statements being made on either side.

Richard Fairman

NCR Book Award

The winner of the 1991 NCR Book Award for Non-fiction (£25,000) is Claire Tomalin for her *The Invisible Woman: the Story of Charles Dickens and Nelly Ternan* (Viking £16.99), it was announced at a dinner in London last night. Ludovic Kennedy, speaking on behalf of the judges, said that this "fasinating literary detective story" had won by "the narrowest of margins." Each of the runners up receives £1,500 from the computer company sponsoring the award.

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 William Christie conducts Les Arts Florissants in concert performance of Alcyone by Marin Marais, early 18th century French composer. Tomorrow: recital by Murray Perahia (5718 345)

■ BERLIN

Staatsoper unter den Linden 18.30 Der Rosenkavalier with Magdalena Hajossyova as the Marschallin, Rosemarie Lang as Octavian and Siegfried Vogel as Ochs. Tomorrow and Sun: Spartacus. Sat: Aida (2004 762)
Komische Oper 19.30 Harry Kupfer's production of Idomeneo. Tomorrow: Die schweigsame Frau. Sat: Romeo and Juliet. Sun: Mozart concert (2292 555)
Deutsche Oper 19.30 Fabio Luisi conducts Götz Friedrich's production of Aida, with Galina Kalinina in title role and Simon Estes as Amonasro. Sat: Manon Lescaut. Sun: Giselle (3410 249)
Schauspielhaus 20.00 Justus Frantz plays Mozart piano concertos with the Polish Kammerphilharmonie (2272 261). Tomorrow: Maxim Shostakovich conducts Orchestra of the Deutsche Oper (3410 249)
Philharmonie Kammermusiksaal 20.00 Hartmut Haenchen conducts Berlin Philharmonic Orchestra in music by Reimann, Webern, Mozart, Bach and Haydn, repeated tomorrow and Sat (2614 383)

■ CHICAGO

Orchestra Hall 20.00 Daniel Barenboim is conductor and soloist in a Mozart and Bruckner programme with the Chicago Symphony Orchestra, repeated tomorrow and Sat (435 6666)

■ COLOGNE

Opernhaus 16.00 L'elisir d'amore, also Sat. Sun: Don Giovanni (221 8400)
Kammerspiele 20.00 Brecht's Jungle of Cities. Sat in Schauspielhaus: first night of Gunter Kramer's new production of Odon von Horvath's The Youngest Day (221 8400)

■ DRESDEN

The Hamburg State Opera is visiting the Dresden Festival with a John Neumeier ballet evening at the Semper Opera House (tonight and Sat) and Idomeneo (tomorrow). Peter Schreier conducts the Dresden Staatskapelle in the Mozart arrangement of Handel's Messiah tomorrow at the Kulturpalast, and Hans Zimmer conducts an all-Mozart programme in the Semper Opera House on Sat morning. Peter Schreier gives a Lieder recital on Sun morning, and Horia Andreescu conducts the Dresden Philharmonic in a programme of Mozart, Liszt, Dvorak and Prokofiev at the Kulturpalast in the evening (459 4040)

■ FRANKFURT

Opernhaus 19.30 Hans Drewanz conducts Herbert Wernicke's production of Moses und Aron. Tomorrow and Sun: new ballet by Amanda Miller and William Forsythe. Sat: Un ballo in maschera (236061)
English Theater Kaiserstrasse 20.00 Alan Ayckbourn's Absurd Person Singular, runs till end of June except Mondays (242 3160)

■ LONDON

MUSIC
Covent Garden 19.30 World premiere of Harrison Birtwistle's new opera Gawain, conducted by Elgar Howarth, produced by Di Trevis, designed by Alison Chitty, with a cast led by John Tomlinson, Francois Le Roux and Marie Angel. Five further performances till June 22. Tomorrow: Hildegard Behrens sings Tosca (240 1066)
Coliseum 19.30 Monte Jaffe sings title role in Stephen Oliver's new opera Timon of Athens, staged by Graham Vick and conducted by Graeme Jenkins. Tomorrow: Peter Grimes. Sat: The Cunning Little Vixen (836 3161)
Royal Festival Hall 19.30 Leonard Slatkin conducts Philharmonia Orchestra in a programme including Vaughan Williams' Ninth Symphony and horn concertos by Strauss and Mozart, with Barry Tuckwell. Tomorrow: Owain Arwell Hughes conducts Beethoven and Orff (928 8800)
Queen Elizabeth Hall 19.45 London Jazz Orchestra. Tomorrow: Heinrich Schiff conducts Northern Sinfonia (928 8800)
Barbican 19.45 Michael Tilson Thomas conducts London Symphony Orchestra in closing concert of Barbican Childhood Festival, with music by Wagner and Bernstein, and Audrey Hepburn as narrator in Tilson Thomas' From the Diary of Anne Frank. Sat: an evening of Cole Porter (638 8891)
THEATRE
Christopher Hampton's comedy The Philanthropist is showing at Wyndham's, with a cast including Edward Fox and Tim Brooke-Taylor. At the Royal Court, Caryl Churchill's early 1980s play Top Girls offers multiple perspectives on the perennial dilemmas faced by women. Matador, directed by Elijah Moshinsky at Queens, is a musical about the rise of El Nino, starring Stefanie Powers. Carmen Jones is Oscar Hammerstein's musical update of Bizet's opera, with a cast of 52 directed by Simon Callow. Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ NEW YORK

DANCE
Metropolitan Opera 20.00 American Ballet Theatre triple bill including Raymonda Act III. Also tomorrow and two performances on Sat (362 6000)
New York State Theater 20.00 NY City Ballet triple bill, including Peter Martins' Ecstatic Orange, music by Michael Torke. Tomorrow: all-Robbins evening. Matinee and evening performances on Sat and Sun (870 5570)
THEATRE
The Will Rogers Follies is a musical directed and choreographed with characteristic flair by Tommy Tune, with Keith Carradine as an accomplished leading man and an entertaining series of stunts (Palace). I Hate Hamlet is Paul Rudnick's comedy about a TV star who is cast in the title role of a Shakespeare production and rents an apartment formerly owned by John Barrymore (Walter Kerr). Miss Saigon is a successful transfer of Nicholas Hytner's London production of the musical, with a cast led by Jonathan Pryce and Lea Salonga (Broadway Theater). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

Théâtre des Champs-Elysées 20.30 Ferdinand Leitner conducts Orchestre National de France in Strauss' Also Sprach Zarathustra and Haydn's Symphony No 98, plus Mendelssohn's Violin Concerto with Pierre Amoyal (4720 3637)
Châtelet 20.30 John Eliot Gardiner conducts the English Baroque Soloists and Monteverdi Choir in Mozart's Mass in C and Thamos, with Dawn Upshaw, Judith Howarth and other soloists. Tomorrow and Sun: Gardiner conducts Entführung (4028 2840)
Salle Pleyel 20.30 Alain Lombard conducts Orchestre de Paris in music by Debussy, Mozart and Stravinsky (4563 0796)
Palais Garnier 19.30 Opéra Ballet in John Neumeier's production of A Midsummer Night's Dream, runs till June 12 (4742 5371)
Théâtre de la Ville 20.30 Jean Gaudin Dance Company, also tomorrow and Sat (4274 2277)

■ PRAGUE

Smetana Hall 20.00 Horst Stein conducts Bamberg Symphony Orchestra in Hindemith's symphony Mathis der Maler and Brahms' First Symphony. Tomorrow: Hakan Hardenberger plays Leopold Mozart's Trumpet Concerto with Prague Radio Symphony Orchestra. Sat and Sun: Kurt Masur conducts closing concerts of Prague Spring Festival
Smetana Theatre 20.00 Karen Huffstodt and Sherrill Milnes sing duets and arias with National Theatre Orchestra conducted by Petr Vronsky. Tomorrow: Die Entführung aus dem Serail. Tomorrow in Nova Scena: Opera Factory Zurich in Rudolf Kelterborn's Julia

■ VIENNA

Staatsoper 18.30 Nikolaus Harnoncourt conducts Idomeneo with cast led by Roberta Alexander, Thomas Moser, Werner Hollweg and Dolores Ziegler, also Mon. Sat: Cosi fan tutte (51444 2960). Tomorrow and Sun at Theater an der Wien: Don Giovanni (586 1676)

■ WASHINGTON

Kennedy Center Concert Hall 20.30 Mstislav Rostropovich conducts National Symphony Orchestra in music by Borodin, Ott, Weber and Bach. Also tomorrow at 13.30, Sat and next Tues (467 4600)

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Thursday May 30 1991

Nato's new structure

THE RADICAL restructuring of Nato forces, approved this week by the alliance's defence ministers, is the logical consequence of important international developments over the past year. The ending of the Cold War, the dissolution of the Warsaw Pact and the agreement on conventional force reductions in Europe have fundamentally changed the nature of the military threat to the west. Though the Soviet Union continues to maintain large forces within its own borders, it will soon have withdrawn all its troops from Europe and its capability of launching a surprise attack will therefore be greatly diminished.

Member countries have rightly drawn the conclusion that Nato must still be maintained, as an insurance policy. At the same time, it has long been clear that the reduced threat from the Soviet Union demanded substantial cuts in Nato forces and a review of military strategy. No longer was there a need for a linear formation of troops along the German border from the Baltic to the Alps. A more flexible concept to deal with more limited conflicts, taking into account possible threats to Nato's flanks, as in the case of Turkey during the Gulf war, had to be devised.

Radical innovations

The re-organisation of forces involves two radical innovations: a British-dominated rapid-reaction corps, able to be deployed speedily to trouble spots within the Nato area, and several multinational army corps which will make up the alliance's main defence forces. The fundamental feature in both cases is the multinational character of the various corps, underlining the integration of both US and German forces in Nato's new defence structure.

One benefit of the force re-organisation is that it will allow large savings in manpower. Total alliance forces under Nato's integrated command are due to be reduced by more than 20 per cent over the next few years. The US army in Germany is likely to see its numbers reduced by nearly two-thirds to about 70,000, and British troops in Germany are due to be halved to 25,000.

The defence ministers have done a good job. What they have not done is to solve the fundamental political questions which still hang over Nato's future role. The Gulf war demonstrated the importance of flexibility and the rapid deployment of forces. Yet Nato's new rapid-reaction force can be used only within the alliance's area. Though the US and Britain are both in favour of ending the restrictions to out-of-area operations, such a move is strongly opposed by Germany, not to say France, which has not been a member of Nato's integrated command structure since 1966.

Greater aberration

Indeed, France, one of the main European powers, with both large conventional and nuclear forces, is completely absent from the new defence arrangements and continues to pursue an independent policy. That is even more of an aberration, given that the new Nato structure gives much greater weight to European forces than before.

The problem of France's closer association with Nato could begin to be solved if Paris were prepared to accept proposals for making the nine-nation Western European Union, of which it is a member, as the vehicle for forging a greater European defence identity. The WEU could also be used for co-ordinating the European Nato members' out-of-area operations and would therefore fulfil a useful dual purpose.

For the moment, however, the French appear to have thrown cold water over the WEU idea, stressing that they want the European Community to work out its own defence policy, while at the same time assuring the US that they have no intention of undermining Nato.

It remains highly doubtful whether Washington, or indeed some of France's EC partners such as the UK, will ever consider the two concepts as reconcilable. What is clear is that, until the issue of Europe's future defence identity is settled, Nato will remain a lame animal, whatever the new structure of its forces.

Labour's constitution

FOR ONCE, Labour is taking the constitution of the country more seriously than its own constitution. Democracy, accountability, limitations on office-holders, devolution of power – the staple diet of Labour's internal reformers since Keir Hardie – are now being fashioned into a menu for the nation as a whole. Even Mr Tony Benn, doyen of hard-left agitators for internal party democracy, is now in the act.

It would be easy, but wrong, to dismiss it all as a cynical reaction to Thatcherism and impotence, and to believe that little will change if Labour takes office. Wrong, because Labour's change of heart is no will-o'-the-wisp: it mirrors a shift within other European socialist parties in recent years, where virtually without exception "democratic centralism" has yielded to a constitutionalism based on rights, decentralisation and the division of power. The process has gone hand in hand with the conversion to market economics, and is now at least as firmly embedded.

It is also wrong because in confronting the new political agenda, Labour is responding to a rising tide of domestic opinion which is dissatisfied with the system of government. It is not just the Liberal Democrats and faddists in Charter '88 and the like. Serious thinkers on the right increasingly favour constitutional reform as a means of improving economic stability and performance (glance at the cheer list for an independent central bank, headed by Mr Nigel Lawson). And Rowntree's "state of the nation" survey, published last month, showed strong public support for a raft of radical changes, from a bill of rights to referendums and devolution.

Electoral reform

Yet if Labour is on the right road, its actual proposals leave much to be desired. In the first place, Opportunity Britain skates over a range of key issues. Fixed-term parliaments? A blank. The role of local government? "By giving local councils a general power of competence . . . we will enable them to develop a wide range of new and imaginative services." A reformed electoral system – arguably the most important constitutional issue challenging the centre-left? A committee of inquiry, designed, it seems, to fudge the question of reforming the electoral system for the Commons until after the next election.

Where Labour is more forthcoming, the result is not always much happier. Take civil rights, which are at the forefront of Labour's programme. Mr Roy Hattersley, it seems, cannot bring himself to endorse incorporation of the European Convention on Human Rights into British law. So Labour is instead proposing a charter of rights to be entrenched by empowering an elected House of Lords to delay bills infringing the charter for the lifetime of a parliament. But the system for electing the new Lords has still to be decided, no procedure for resolving the inevitable disputes between the Houses over powers is suggested, and no inkling is given as to how rights would be entrenched should both elected Houses be controlled by the same party. On its own, reform of the Lords is hardly a high priority. It is bizarre to make a constitutional guarantee of rights dependent upon it.

Devolution confusion

Much the same confusion bedevils Labour's ideas on devolution. A Scottish parliament is to have "legislative and revenue-raising powers and economic responsibilities". Their nature and extent are, however, left undefined, apart from a cryptic reference to the report of the Scottish Convention offering "a sound basis on which the new parliament can operate". Yet the convention's recommendations amount to federalism. Does Labour favour that or not? If the United Kingdom is to be broken up, the prospectus for its successor should be more than a few weasel words.

In short, Labour's ideas are half-baked and half-hearted. They have the hallmarks of a series of uneasy compromises, because they are. Mr Hattersley, in particular, is a fierce conservative on constitutional questions. There can be little prospect of improvement while he remains deputy leader.

This is the fourth in a series on Labour party policy.

Charles Batchelor and **David Barchard** examine interest rate complaints

Bashing the banks

Mr Terry Denty was told the bad news while he was driving his bank manager to one of the warehouses from which he retails second-hand cars. National Westminster would be raising the interest rate on the Carstore Group's overdraft from 2 to 2½ percentage points above base rate, because of the general difficulties in the retailing sector.

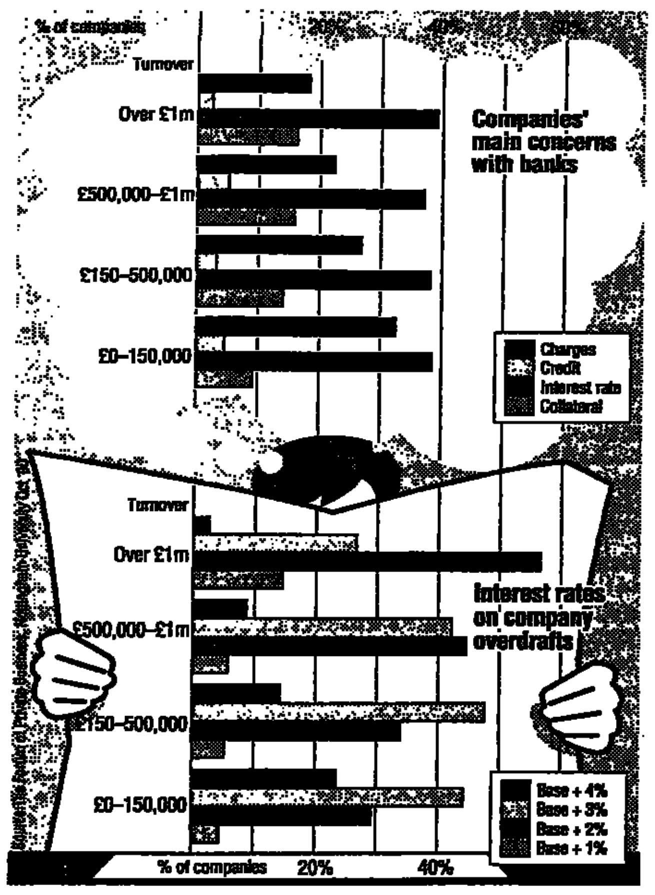
There was no suggestion that Carstore's own performance had deteriorated. Nor was there any explanation, says Mr Denty, of why the bank had taken the decision to increase the rate at a time – March 1991 – when interest rates were falling and set to drop further.

Mr Denty is philosophical about the interest rate increase. "It is a classic thing for banks to do," he says. He has no complaints about NatWest otherwise, and has always drawn funds from a variety of sources including venture capital.

But many other small business owners are less relaxed. "There is no doubt that a number of the banks have increased their interest rates above base rate to make up for the lowering of base rates," says Mr Colin Moor, himself a former bank manager and co-founder of Taurus Financial Services, a specialist consultancy. "There is no doubt that they are acting differently in this recession, raising their charges and hoping the public will not notice. It is frankly disgraceful."

The Forum of Private Business, a small business lobby group, says it has received hundreds of letters and telephone calls from members complaining about their treatment by banks since the final quarter of 1990. "The banks say they are making increases across the board but it is the smallest companies which are hit hardest," says the forum's Mr Dave Harrop.

Research carried out for the forum by Nottingham University last year (see graph) showed that businesses with sales of less than £150,000 were five times as likely to be paying 4 percentage points above base rate for bank funds than businesses with sales of £1m and over.



Banks are raising their charges to small businesses in other ways. Branch managers are now far more ready to charge for their time; transaction charges are rigorously applied; and arrangement fees charged for routine dealings.

Lloyds Bank appears to favour switching customers to a "managed" monthly rate of interest which does not automatically move in line with base rate. Customers complain that Midland and NatWest have been increasing commissions and spread above base. Smaller banks are adopting similar policies, say customers.

Mr David Simpson, managing director of Bramley Pensions and Mortgages, a Camberley, Surrey-based financial consultancy, says his bank manager explained his decision to raise interest charges from 5 to 6½ percentage points above base in the following terms:

"I am sure you are aware that market conditions in the banking industry have changed dramatically in the last 18 months. Like our competitors our own margins have been squeezed. We have delayed seeking increases while base rates remained high but following recent downward movements the time can no longer be delayed before addressing the situation. I have to advise you that from May 1 the rate charged will be increased to 6¼ per cent."

Mr Simpson says his four-person business has had no trading difficulties and no problems in managing its bank account. "I was dismayed," he says. "I can get 5 per cent elsewhere but wonder if it is it worth the hassle of changing."

The large clearing banks tend to respond to such complaints with a mixture of studied incomprehension and slight pain. "It is nonsense to say that the vast majority of our business customers have not felt the benefit of the recent falls in the banks' base rate. The overwhelming majority have done, despite the increased risk of the recession," says Mrs Jane Bradford, head of Small Business Services at National Westminster Bank.

There seems little doubt, however, that margins on bank lending are once more rising. Bank of England figures published earlier this month show that the average domestic interest margin of the big four clearers fell steadily from 5.6 per cent in 1986 to 4.3 per cent last year, but the Bank believes that there has probably been a slight increase in the margin during 1991.

"It is a natural cyclical phenomenon," a Bank of England official says. "When you are at the bottom of a recession, the creditworthiness of customers is going to deteriorate. It would be natural for banks to then judge that some of their customers should be paying higher margins, but that is a matter for their individual discretion."

Most banks concede that some business customers are now paying higher overall interest rates. They tend to see it as an inevitable outcome of the recession.

"The recession has increased the vulnerability and exposure of small businesses. This is reflected in the number of businesses in intensive care," says Mrs Bradford. She believes that there are probably more than £1bn in bad debts in small business, helping account for the huge provisions the UK clearers made against domestic bad debts last year.

Despite all this, lending continues. NatWest estimates that total small business lending in the UK has grown by 20 per cent in the past 12 months. Meanwhile established customers may find their interest rates increased because their bank has concluded that their business is less safe than it was a year or two back.

"When a review tells us that a customer's position has changed and we don't think we are adequately rewarded for the increased risk, we would discuss it with him. It can sometimes mean a slight net increase in interest payments for a customer," says Mr Richard Cracknell, senior business development manager at Barclays.

"Much greater numbers of small businessmen fail than those in long established businesses," says Mr John Holloway, Enterprise Banking Director at Midland Bank. "Of those who don't take any advice, one in three will fail. If they take advice in terms of business plans, the failure rate drops to one in six – and to one in 10 for those who both take advice and some business training."

As a result, the rule of thumb seems to be that the smaller a business is, the higher will be its banking charges. This does not only apply to overdrafts and other forms of borrowing. Large retailers may pay credit card commissions of little more than 1 per cent; one-man businesses often pay more than 4 per cent.

Mr Cracknell says that large corporate blue chip customers pay between 0.5 per cent and 2 per cent above the banks' base rate on borrowing, while medium-sized companies pay 2 to 4 per cent above base; and smaller companies between 3 and 5 per cent above base.

The average charge for Barclays business customers is 3 per cent to 3.5 per cent, while NatWest says its average rate is lower at 3 per cent.

Why should margins be rising now? The increased problems of many businesses because of the recession are not the only reason. Another is the cost of funds.

"More bank deposit accounts bear interest these days and we have less of an 'endowment effect' from current account funding. We have to borrow the money from the markets," says Mr Cracknell.

Another factor, however, is that the banks believe rates are currently being restored to more typical levels after a period of cut-throat competition between 1987 and 1989.

They point to the arrival of foreign competition in UK markets, though it was also a period when most banks deliberately expanded their balance sheets as fast as possible. At one stage in 1988, Barclays revealed that its lending was growing by an annual rate of more than 35 per cent.

"For 18 months customers were able to get money half a percentage point to three quarters of a per cent cheaper than usual, but that is over now and we tell customers that we now consider we must increase our return," one banker says.

Few bankers believe that high interest charges drive businessmen out of the market. "One per cent on a loan of £15,000 is £150," says Mrs Bradford. "That isn't the sort of figure which causes a business to go under."

Mr Cracknell believes that deliberately late payments to small suppliers by large corporations is a much more common source of problems. "Lack of cash flow is by far the biggest contributor to business failure," he says.

Modernism makes its case

Antony Thorncroft on the launch of the Arts Foundation

Last night at a party held at the FT's printing works in east London, the Arts Foundation was launched on a doubtful world. What is the foundation and why were 500 rich art lovers, from Mr Barry Humphries to Sir Richard Attenborough, Lord McAlpine to Mr Michael Grade, invited to such an off-beat location?

The short answer is that the foundation has been established to encourage artistic innovation, ideally funded by the patrons invited to the printing plant. It will be quite different from the institutions currently dispensing grants to the arts in Britain – ranging from the Arts Council with about £200m a year in government subsidy, to charitable family foundations such as the Wolfson and the Linbury Trust. The foundation sees its role as that of catalyst for private patronage of the new in the arts, and hopes to raise £20m within three years. If its task seems fanciful it is mundane compared to the extraordinary events which led to its creation.

One day a secretary at the Arts Council was opening the post when out slipped a cheque for £1m. It was from a Viennese merchant banker, Mr Francis Hoch, who had found refuge in England during the war and in gratitude had made the Arts Council a beneficiary in his will. Details of Hoch's life have remained elusive, but there is no doubting his cash. As a government-funded body, the Arts Council cannot absorb individual donations, but its chairman, Lord Palumbo, saw the money as the basis of one of his pet projects – the encouragement of the new.

Mr Stephen Bayley, who started the Boilerhouse Project at the Victoria and Albert and was the first director of the Design Museum, was brought in as director, while the photographer Mr Terence Donovan and the literary agent Mr Ed Victor were recruited as trustees. Mr Bayley says: "At the heart of the Arts Foundation is the idea that art depends on creativity and that creativity is best stimulated not by grants or subsidies, but by individual patronage and the provision of facilities."

The hope is that the newly rich of the 1980s will want to inspire a new generation of artists, perhaps working in unexploited fields. "I hesitate to define the foundation's interests since our commitment is to innovation and we cannot anticipate what innovations might be," says Lord Palumbo.

But prospective patrons need some guidance and Mr Bayley comes up with one probable venture: a televised "London Lecture" on innovation by a Big Name in the autumn. If this seems the antithesis of imaginative art, there is more mileage in his idea of reviving the Salon des Refusés, which would show art works rejected by established institutions.

The foundation hopes to use its image and prestige to create events financed by patrons. "It will be an outspoken body, making the case for modernism," says Mr Bayley. As for the quality of the initiatives it supports, "the *market* will decide that. Great art should be popular." There will be a bias towards encouraging youth, although Mr Bayley says the middle-aged and the old will not be excluded. But there will be no room for phoney retreads – no support for Piers Ploughman performed as a rock opera.

One can imagine Madonna providing the money for a recording studio in Hackney where teenagers can experiment with rap music, or Sir Terence Conran funding an exhibition which attempts a modern definition of the word "beauty", or Alan Sugar providing grants to see whether any decent art can be created on the computer, or Alan Ayckbourn financing a country retreat for writers (although Mr Bayley thinks that poetry is one art form that would not readily lend itself to a real innovative breakthrough).

The ultimate ambition is an arts centre, London's answer to the Pompidou in Paris, where a multi-purpose modern architectural masterpiece can act as a venue for exciting new projects – graphics and performance art, movement and 21st-century design – presented under the authority of the foundation but sponsored by patrons, who will also have paid for the building.

Or, Lord Palumbo – whose development of the Mansion House site in the City shows that he is a supporter of the new even if it means removing the well-loved old – could succeed in his ambition to transport the imaginative glass and steel British Pavilion at the 1992 World Exposition in Seville back to London, to become the foundation's home.

Of course, there is something strange about an organisation which has little idea of what it is supporting until it happens and will then await the judgment of posterity as to its worth. There is also the anomaly of letting the market decide on the viability of the art – the market responds more readily to conservative populist taste.

But Lord Palumbo is a genuinely independent spirit who believes that the best of the art of today, and of the future, is the equal of the masterpieces of the past. He undoubtedly will be a patron of the foundation. The financial climate is not helpful but his enthusiasm and contacts should ensure that the cheques will start to arrive over the next few months. In the meantime the foundation will organise events to raise its profile and make its mark. It is like the 1960s, with its experimental arts laboratories, all over again.

OBSERVER

Return of the amateur

■ Amidst all the excitement over Hanson's interest in ICI, one rather interesting executive appointment to the main Hanson board has gone virtually unremarked. Christopher Collins, married to one of Lord Hanson's nieces and best known as a champion jockey, has suddenly popped up as director for corporate development.

Given that the rest of Hanson's UK executive directors have each worked for the group for over 20 years and most ambitious Hanson executives(including young Robert Hanson) have to serve their time first as associate directors, Collins appointment is a surprise. He has only worked for the group for a couple of years and there is no mention of his previous job as Hanson's representative in Australia in the latest report and accounts.

Martin Taylor, Hanson's vice chairman, sees nothing strange in this swift promotion. The 51-year-old Collins certainly sounds more entrepreneurial than some Hanson types. A chartered accountant by training, he made a fortune selling the family's Goya perfume business to ICI and has dabbled in everything from wine merchanting (Bibendum) to magazine editing.

He came third in the 1965 Grand National and helped save Aintree from the developers. He is said to have been a very brave and dashing rider by the horse and hound set. Indeed, the Jockey Club seems to know more about him than the taciturn Taylor. Among his best horses was Credit Call which won 37 races and he once won the Velka Pardubice in Czechoslovakia, one of the world's most frightening horse races.

A quiet man with a sardonic wit, he is renowned for doing things extremely thoroughly and then packing them in and trying something completely different. He could have been senior steward of the Jockey Club, but seems to have found a new purpose in life – pursuing ICI.

Mystery man

■ Once again Charles Saatchi failed to make an appearance at his company's annual meeting yesterday even though he was standing for re-election as a director. One disgruntled shareholder even suggested that if Charles was too shy and retiring to appear in public may be he might be able to hide under the table in future.

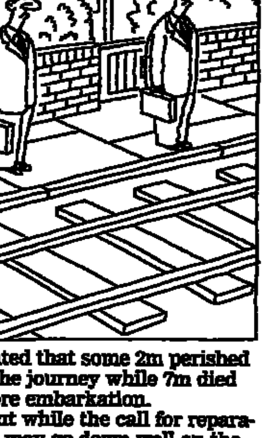
"Charles if you are under the table will you knock twice," said brother Maurice. A Saatchi insider swears he heard a couple of knocks.

Old business

■ The Organisation of African Unity (OAU) seems to be looking for another cause now that South Africa is moving towards international respectability. At next week's summit - in the Nigerian capital of Abuja - a demand that the west make reparations for the slave trade looks like being on the agenda.

This week Augustus Aikhomu, Nigeria's vice-president, urged a meeting of OAU foreign ministers to raise the issue at the summit, adding: "Even the debt write-off of Africa's debt stock cannot compensate for centuries of abuse and neglect." Black Africa's external debts exceeds $150bn, of which Nigeria's share is over $30bn.

No-one can dispute the horror of the trade, and the devastation wrought by what has been described as the greatest forced migration in the history of man. Between 1650 and 1850, some 12m slaves were landed in the Americas, according to one estimate. And it is calculated that some 2m perished on the journey while 7m died before embarkation.



But while the call for reparation may go down well on the African hustings, it's unlikely to be treated as anything other than wishful thinking by the west. As Oladapo Fafowora, a former Nigerian ambassador to the United Nations, says: "I think it is a red herring and totally unrealistic. Hardly anyone is going to listen to them."

Imprudent

■ Is Mick Newmarch, the Prudential's most highly paid chief executive, worth three and a half times as much as the Governor of the Bank of England?

Sir Brian Corby, the Prudential's chairman, should know. Along with fellow Prudential director, Thorn EMI's Colin Southgate, he is a director of the Bank of England. However, the men from the Pru managed to duck this loaded question, plus plenty of others, with charm and courtesy at yesterday's annual general meeting. The gist of the answers was that the timing may look awful but Newmarch is worth every penny of his £543,673 salary

For a company that is supposed to set an example in corporate governance, the Pru has not been doing a good job lately. If the new chief executive really can sort out the Pru's problems then he will be worth his bumper salary. But wouldn't it be better waiting to see whether he can?

Soviet sums

■ The real size of the Soviet economy is a problem which has taxed the ingenuity of economists for decades. Now Salomon Brothers, the New York investment bankers, have come up with a handy little ready reckoner. The answer, it seems, depends on whatever exchange rate you choose.

At the Soviet official rate the economy produces the equivalent of $1,662bn making it about 36 per cent the size of the US economy. On a purchasing power parity basis it is slightly smaller at around 33 per cent of the US. When calculated at the commercial exchange rate however the Soviet economy shrinks to a mere 16 per cent of the US economy or less than 90 per cent of the Italian economy.

At the tourist rate, it shrinks even further to only 3 per cent of the US economy and 85 per cent of the Swedish economy. But when the Soviet economy is divided by the current black market rate for the rouble its value falls to a mere $47bn-roughly one per cent of the US economy and equivalent to that of Portugal.

As the Soviet economy falls into what increasingly looks like a bottomless pit nervous bankers are wondering what the black market boys know that they don't.

Not out

■ Thought for the day. When West Indian fast bowler Curtly Ambrose answers the phone, does he say "Curtly speaking"?

ECONOMIC VIEWPOINT

Capitalist re-entry: a tale of two states

By Samuel Brittan

The German Federal Republic has accumulated features which should make Ludwig Erhard, the father of the social market economy, turn in his grave.

There has been a multitude of restrictive laws. Visitors are most conscious of the limitations on shopping hours. But there are many other distortions, such as the *Kohlepfenning* (coal penny) levied on consumers to compensate electricity and steel companies, which in turn are forced to buy 40m tonnes of coal a year from German mines at inflated prices. The economics minister, Jürgen Möellemann is desperately trying to cut an annual industrial west German subsidy bill of DM130bn (more than £40bn) – nearly as large as all expected transfers to the east. And at least as important: nationwide collective bargaining has an entrenched role which makes it impossible for relative wages to reflect properly changes in regional or occupational labour demand.

The Federal Republic seemed for a while to be paying for its retreat from market principles by a sluggish growth rate. Indeed, the anti-EC Right has claimed that a European monetary arrangement, with Germany as an anchor, is a flawed

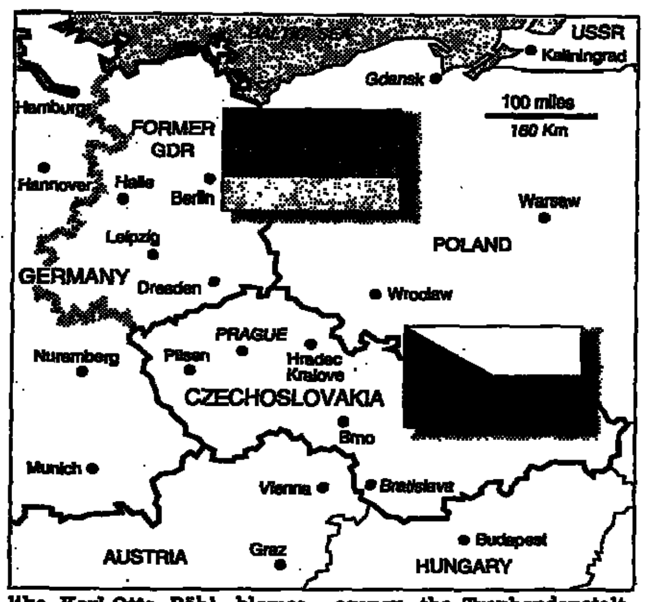
One result of generous benefits is that the flow of east Germans to the west has dropped greatly

enterprise. But the conclusion does not follow. For the reason why other countries have adopted a D-Mark anchor is not uncritical admiration for everything in Germany, but because of the country's reputation for low inflation. It is far too early to write off this reputation, as the welcome choice of Professor Helmut Schlesinger to head the Bundesbank should remind us.

The reaction on the Keynesian Left has been different. Critics here chortled with delight when German economic growth took off from 1988 onwards under the stimulus of the immigration from the east which preceded political unification. This recovery demonstrated – or so they hoped – that all the Organisation for Economic Co-operation and Development reports on the need for structural reform and greater competition were for the birds. All that Germany needed was an injection of demand which – they said – the Kohl government had been too hidebound to administer, until compelled by circumstances.

But it is now the turn of market liberals to counter-attack. For the lesson of the plight which unification has brought to eastern Germany is that the anti-competitive features of the German economy do matter. Practices which which were until recently an affordable luxury have become a grave handicap in the face of the unification challenge.

Support for this view comes from of the greater success that Czechoslovakia looks like having, despite – or perhaps because of – the Czech lack of a west Germany to act as a fairy-godmother. An illuminating comparison has been made by a Paris-based economist, Michael Burda, in Labour and Product Markets in Czechoslovakia and the ex-GDR (Centre for Economic Policy Research, 6 Duke of York Street, London SW1Y 6LA). Don't be put off by the title.



The two areas are remarkably similar in size, industrial structure and labour productivity – which were the most advanced in the former communist bloc. Nevertheless, subsequent developments have been very different. In east Germany, wage increases of 20-50 per cent have been usual.

Partly as a result, some 30 per cent of east German labour is affected by unemployment or "short-time" – which often means working less than half-time, or not working at all. It is claimed that less than 10 per cent of east German workers are employed at a profit.

One result of generous short-time and unemployment benefits is that the outflow of east Germans to the west has fallen dramatically. The special short-time provisions run out this summer, but some form of extension seems likely.

By contrast, at the end of 1990, Czechoslovakia still had a communist-style unemployment rate of 1 per cent. This is expected to rise to 5 to 7 per cent as a result of industrial restructuring this year, but it is still likely to be well below the east German level.

In his study, Michael Burda, like Karl-Otto Pöhl, blames monetary union at an over-valued one-to-one exchange rate for present east German misfortunes. In Czechoslovakia, by contrast, the value of the currency was halved by devaluation before current account convertibility was adopted.

There is no need to defend the one-for-one rate at which East German Marks were converted for current transactions. But they are surely not the heart of the matter. The generous terms did not prevent further wage concessions for workers who were already uncompetitive. A lower conversion ratio would, surely, have triggered off even larger wage increases, perhaps over a longer period, to achieve the now-accepted goal of wage and social security parity with west Germany by 1994.

The German system of subsidised short time is unlikely to be adopted in Czechoslovakia if only because it could not be afforded. A key feature in east Germany has been the notorious "soft budget" constraint under which many enterprises continue to have their deficits subsidised through credits from the super-privatisation agency, the Treuhandanstalt. In Czechoslovakia, subsidies to one enterprise are clearly at the expense of another.

Czechoslovakia, like Poland, has a tax-based incomes policy, with a 100-per-cent tax on pay increases above a base line. The base line is only partially indexed to inflation and allows a cut in real pay of 12 per cent before activation. The important feature, however, is the weakness of the unions in popular esteem, which allows the government to enforce it.

Centralised wage setting is a provisional system not expected to last once more Czech firms have been privatised. One future possibility is a decentralised system of bargaining at works level. Existing exemptions from the wage tax include foreign companies, joint ventures and the bonus element in profit-related pay, which may point the way to the future.

It is however too late for east Germany to take the Czech road. A team of Berkely economists, headed by George Akerlof, has already suggested in a Financial Times article (A solution for east Germany, May 21) a subsidy of 75 per cent of the east German wage bill which, it argues, would allow companies employing three quarters of eastern industrial labour to earn short-run profits.

The authors believe that the subsidy would pay for itself, as it would be offset by reduced payments of unemployment and short-time benefits, as well as higher revenue from tax and social security. They propose to discourage the leakage of the subsidies into higher wages by making them proportionate to the gap between east and west German pay levels.

The full Akerlof paper (to be published in Brookings papers) is an excellent up-to-date survey of the east German position. But the suggested remedy represents highly dubious economic engineering. Moreover, if there are to be mechanistic constraints on pay inflation, the Czech-Polish version under which pay is taxed is psychologically more appropriate than the subsidising of pay bills which are too high in the first place.

A crucial objection, stressed by one highly-qualified observer, Thomas Mayer, in a series of papers for Salomon Brothers, London, is that it is difficult to see when the subsidies would ever disappear.

It is easy to envisage east German industry leading a lingering slum existence on aid

Experience of "temporary aid" in west Germany, or the more disguised UK subsidies to Northern Ireland workers, are hardly encouraging, even without bringing in the seemingly indestructible Common Agricultural Policy. It is all too easy to envisage large parts of east German industry leading a lingering slum existence on a diet of government aid, while more qualified workers move to better jobs in west Germany, or to new services sections.

Some form of disguised wage subsidy is likely, whether one advocates it or not. The condition on which it would do more good than harm is an unpopular one: namely that there should be a sufficiently large gap between state supported wages and the going unsupported rate, so that workers to have the incentive to leave subsidised schemes as soon as possible. The same applies to temporary employment measures in countries further west affected by recession. The time for costless solutions with gadgets and gimmicks has long passed.

BOOK REVIEW

Sparkling tale told with French polish

LE POUVOIR ET LA VIE: L'AFFRONTEMENT
By Valéry Giscard d'Estaing
Compagnie Douze, 496pp, FFr129

Many people were impressed, after President Valéry Giscard d'Estaing's decisive defeat in the 1981 French presidential elections, that he picked himself right up and started again from the bottom. He got himself elected to a town council, to a departmental council, to a parliamentary seat, and finally to the European Parliament. This steam-roller recovery seemed all the more impressive, in the light of the fact that "VGE" was suffering a serious depression, as a direct result of his 1981 defeat.

After a while, Giscard's recovery provoked a different reaction: there were incredulous sniggers two years ago, when people started to suspect that he was seriously preparing for another shot at the presidency. They are not sniggering now: today he stands level-pegging with the Gaullist leader Jacques Chirac as one of the two most plausible conservative candidates for the 1995 elections.

As a performance in political credibility, it is an impressive testimony to the powers of tenacity, and the advantages of starting young. For Giscard was only 48 when he was first elected to the presidency; he is still only 65 today.

The possibilities of the situation have been wittily summed up by the Gaullist politician Philippe Seguin: "In 1974, the French people wanted a young president, and it was Giscard; in 1995, they will want an old president, and it will again be Giscard."

As a matter of fact, we are not quite there yet. When I asked him this week whether he intended to stand in 1995, he avoided a straight answer: "We shall see," he said. "Time can make its own dispositions."

However, he has continued to polish his image, most recently with the publication of the second volume of his memoirs. If it has attracted attention in France, this is partly because (in one chapter) Giscard gives his side of a scandal which overshadowed the closing years of his presidency; but mainly because he has set out to write something different from the usual special pleading.

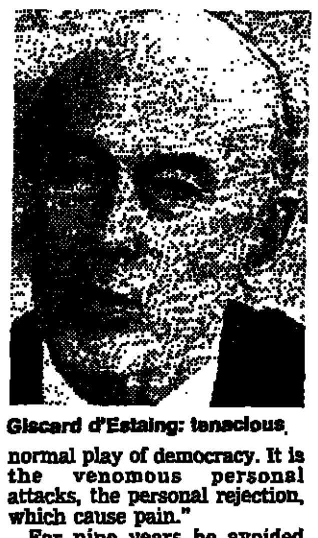
The scandal in question was about the gift of some diamonds by the Central African Emperor Bokassa to Giscard in the early 1970s. According to the stories which erupted in the French press in the late 1970s, these diamonds were colossally valuable, and they became the theme of unremitting personal and moral attacks by critics and opposition, staining the closing years of Giscard's presidency. But the way the story is told in the book, the diamonds were of little value and minimal symbolic interest, and were eventually sold for the benefit of charity.

This may seem exactly like your standard political apologia, in which retired political heavyweight sets the record straight, pleading innocence to a vile slander. As far as it goes, such a cynical summary is not untrue; the difference lies in the general tone of the book.

Instead of a chronological account of the sequence of events which took place during his seven-year term in the Elysée Palace, Giscard has set out to give a sense of what he was feeling as the events unfolded. "Historians can write the history," he told me. "I wanted to show how we lived it."

In office Giscard was criticised for the quasi-monarchical aloofness of his demeanour. In this book he seeks to show that he is a vulnerable human being with real sensitivities, and to rectify his involuntary reputation for remoteness. "When I saw Schmidt or Callaghan," he said this week, "we used to laugh and gossip; but between a chief of state and his fellow citizens, communication seems impossible."

Which brings us back to the diamonds. The long period of depression and withdrawal was not caused by his defeat in 1981, he says, but by the campaign of moral abuse he suffered after 1979. "An electoral failure is not really bruising," he said, "because it's just the normal play of democracy. It is the venomous personal attacks, the personal rejection, which cause pain."



Giscard d'Estaing: tenacious

For nine years he avoided French newspapers, for fear of reading more personal abuse; and for the first time in his life started to read deeply in psychology and human studies, subjects which he had never come across in his elitist education. As a metaphor, he compares his withdrawal to the condition of an autistic child, a condition of which, he says, he had previously never heard.

This is not a self-pitying book, nor even a solemn book; there is an absolutely hysterical account of an official lunch hosted by Leonid Brezhnev in Paris. The Soviet boss, clearly in an advanced state of senility, lumbers into the dining room before any of the guests are seated, reads his speech halfway through the lunch, and lumbers out again with Giscard silently cackling in his wake. Worth a guinea a box!

In the nuclear field, Giscard gives two revelations. First, he early made up his mind that he would never be the first to press the nuclear button. This decision did credit to his logic and his morals, but it is not official doctrine. Second, he discovers in 1974 that the US was consistently helping the development of the French nuclear force; so much for independence. Do these revelations hit the French headlines? No; they are, of course, overshadowed by The Diamonds.

Ian Davidson

LETTERS

Democracy in India not thrown into doubt by Gandhi assassination

From the former Indian foreign secretary and others

Sir, We are dismayed and indeed outraged by the article by David Housego, "Murder throws into question the very future of Indian democracy" (May 22).

At a time when India is undergoing the trauma of the assassination of the Congress (I) president, Rajiv Gandhi, bringing to mind the memories of the similar killing of his mother, we consider it in extremely bad taste that a correspondent of a newspaper of your standing should suggest that the future of democracy in India depends on a single family or an individual.

Rajiv Gandhi's assassination has shocked the nation, as did the assassination of Indira Gandhi in 1984, but no Indian has questioned the future of democracy because of these tragic incidents.

It is even more reprehensible that the article should have gone on to say that "once Rajiv Gandhi's killers are known, there is the risk of an explosion of anger of the type that caused the terrible rioting in Delhi in 1984 in the wake of Mrs Gandhi's assassination".

One could even regard such a statement as being an invitation for a repetition of the events of 1984 which had led to a death toll in the thousands.

The statement in the main editorial in your same issue that the assassination "is a grievous blow to the prospects for democracy in the republic and its possible repercussions could threaten the cohesion of the sub-continent itself" only compounds matters. It is unfortunate that such insensitive, sweeping and highly questionable statements should have been made in your newspaper.

If you had taken a historical view of the evolution of democracy in Europe and the US, you would have remembered how much turmoil by bloodshed, revolutions, civil wars and even interstate and world wars had gone into the evolution of democracy and its arrival at the present level.

Assassinations of the presidents of the US, beheading of monarchs in European countries, and countless mass upheavals attended the historical process of democratic evolution in the countries currently known as developed.

In comparison, Indian transition has been relatively peaceful and orderly. With more democratic and federal reform, the pace of Indian democratic evolution will be faster. In any case, the future of Indian democracy depends upon the commitment of the Indian people to the democratic process which nobody can say has diminished to any extent despite the misfortunes of recent years.

Now that sufficient time has passed since the tragic event of the night of May 21, disproving the gloomy prophecies of your correspondent, we trust that your newspaper will make handsome amends by publishing more objective accounts of the way in which the people of India have risen to the occasion, and how Indian democracy functions.

A P Venkateswaran; Bashiruddin Ahmed; Bhabani Sen Gupta; V A Pai Panandiker,
New Delhi, India

Takeover Panel and procedure

From Mr S P Chalfen.

Sir, I would like to add a postscript to the exchange between Mr David Calcutt, chairman of the Takeover Panel (Letters, May 15), and Professor Jeffrey Jowell (Letters, May 24) concerning the "procedural audit" which Professor Jowell advocates ("Self-regulation under threat", May 9) and which Mr Calcutt clearly considers inappropriate.

The panel executive draws staff by secondments from active practitioners among the merchant banks, city solicitors and brokers. Occasionally, at least, the executive team has included personnel from the advisers to one party or another in a bid. This unnecessary practice undermines the confidence of the client companies involved in the process as it seems inconsistent with justice being seen to be done and places an unnecessary burden on the secondees involved.

The Takeover Panel executes a public function. It has immense power. It provides in so very many respects an excellent service. It should, however, not hesitate to recognise that improvements in procedures can be made. Some improvements may be larger (such as those which Professor Jowell identifies) and some will obviously be quite easy to accomplish.

S P Chalfen,
the solicitor,
BAT Industries,
Windsor House,
50 Victoria Street SW1H 0NL

Attracting women into science and engineering

From Mr Ron Kirby.

Sir, In her article ("Undermining of sex equality highlighted", May 23) Diane Summers refers to the slow progress of attracting women into science and engineering.

The Engineering Council, which initiated the Women Into Science and Engineering (WISE) campaign in 1984, has monitored the progress made in this area. When the campaign was launched the council recognised that such a culture change would not happen overnight. WISE activities have had some positive impact, with the number of women studying on engineering degree courses rising from 7 per cent in 1983 to 15 per cent today.

As to industrial commitment to schools liaison projects, we are pleased to say that industry is playing an important role in our Neighbourhood Engineers scheme in which three or four professional engineers or technicians are linked locally to secondary schools to give cross-curricular support to the national curriculum. Twelve managers are on secondment to the scheme from engineering companies. This is in addition to the team of 4,000 volunteer engineers many of whom are released by their companies during work time to carry out this vital work.

Ron Kirby,
director of public affairs,
The Engineering Council,
10 Maltravers Street, WC2

Labour attitude to the market

From Dr Peter M Slowe.

Sir, I was astonished by your leading article about Labour's industrial policy ("Labour and industry", May 24).

You say that Labour has yet to learn to live with the market. Not so. Labour's industrial policy has been crafted to deal specifically with market failures and to leave the market alone where it works well. Identifying the failures, where the government should be involved, has been a long and difficult, but finally successful exercise which the Labour party has completed over the last few years.

I should know. I am secretary of the Labour Finance and Industry Group, which has among its members over 100 senior industrialists who back Labour. The group has played an important part in helping Labour to develop its industrial policy.

The fact of the matter is that governments should not stand idly by while long-term investment, research, development, training and innovation, especially in manufacturing industry, are all neglected. Market failure can be put right by a well-managed DTI. Gordon Brown and his team certainly understand the needs of industry, and their recent paper, "Modern Manufacturing Strength", is a good basis for sensible modern government-industry relations.

You also say that Labour is going to reimpose state control, for example on BT. Of course, no Morrisonian nationalisation is being planned by the Labour party of the 1990s. But Labour policy will certainly mean that monopoly services will have to spend their gigantic profits in a way that benefits the wider economy. Even in the US, utilities refund excess profits when they are not put to a useful purpose. Only here does the government do nothing about it.

Peter M Slowe,
honorary secretary,
Labour Finance
and Industry Group,
46 Beech View,
Angmering, West Sussex

Fax service
LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Thursday May 30 1991

Ethiopian rebels open fire on demonstrators

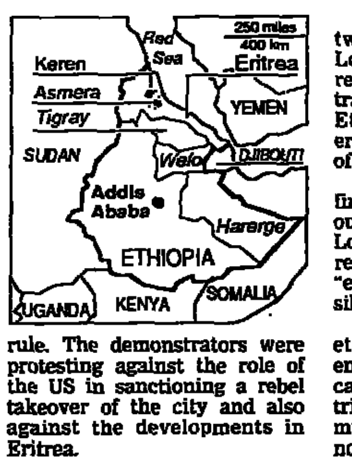
By Julian Ozanne in Addis Ababa and Stephanie Gray in London

SOLDIERS from Ethiopia's main rebel group shot dead and wounded anti-US demonstrators in Addis Ababa yesterday, a day after taking control of the capital.

A spokesman for the Ethiopian People's Revolutionary Democratic Front Mr Alemseged Gamlak confirmed the shootings but declined to give figures.

The violence came as Eritrean rebels announced plans to form a provisional government for Ethiopia's Red Sea province, taking it a step nearer formal independence.

The shootings, which were followed by a 24-hour curfew, mark the first stirrings of popular discontent against rebel



rule. The demonstrators were protesting against the role of the US in sanctioning a rebel takeover of the city and also against the developments in Eritrea.

US negotiators chaired a two-day peace conference in London this week at which rebel leaders agreed to form a transitional administration for Ethiopia. The Ethiopian government delegation pulled out of the talks.

Washington, which had at first urged the rebels to stay out of Addis Ababa until the London talks were concluded, recommended that the EPRDF "enter the city as soon as possible to stabilise the situation."

Tensions are exacerbated by ethnic and language differences. Most inhabitants of the capital are of the Amhara tribe, while the EPRDF draws much of its support from the northern province of Tigray.

The demonstrators said they feared a break-up of Ethiopia. These concerns were heightened yesterday when Mr Necho Yohanis Letta, deputy secretary general of the Oromo Liberation Front (OLF), the third guerrilla party at the London meeting, called for an independence referendum for the homeland of Oromo, which makes up about half of Ethiopia's estimated 52m population.

In Addis Ababa, a western diplomat warned that failure by the rebels to address widespread civilian demands to be consulted on their future could provoke a bloody backlash.

Several hundred residents of Addis Ababa marched shouting slogans and making derogatory chants about Mr Herman Cohen, US assistant secretary of state for Africa, who chaired the peace talks.

Tempers flared outside the US Embassy and several American reporters were intimidated by the crowd. After the demonstrations were broken up, the EPRDF through loud-hailers banned any further political protest and ordering people off the streets.

This is likely to cause significant disillusionment because many were hoping, after years of oppressive rule, that the EPRDF would immediately honour their promises to guarantee basic democratic rights and freedom.

Ethiopians flee, Page 6

Election of Rao confirms shift of power

By David Housego in New Delhi

MR P.V. Narasimha Rao, 70, a Congress party elder statesman from the south of India, was yesterday elected provisional party president in a move to patch up its quarrels before the last two rounds of polling in the general election.

The party leadership left open, however, the issue of who would be the leader of the parliamentary party – and thus its candidate as prime minister – if it should emerge from the election in a position to form a government.

Mr Rao, a widely read politician who speaks several languages, is seen as a stop-gap leader because he is in poor health as a result of a recent heart operation.

His nomination follows the refusal by Mrs Sonia Gandhi, the widow of Rajiv Gandhi, to accept the post and the absence of any other strong contenders.

Although he was elected unanimously by the Congress party's main policy-making body, some members said it would have been better if Mrs Gandhi had designated the person she wanted to succeed.

In the grounds of the Congress headquarters a small group of party workers chanted slogans in favour of Mrs Gandhi and displayed a banner saying they were on hunger strike.

Mr Rao's choice marks the true end of the Nehru dynasty. He is the first person outside the family to hold the post since the late 1960s when Mrs Gandhi gained control of the Congress.

His nomination also reflects a shift in the balance of power


Narasimha Rao, Gandhi loyalist, surrounded by bodyguards after his election

within the party, traditionally dominated by the northern Hindi-speaking belt, to politicians from the south.

If members from the southern states dominate the new parliamentary party, the party's candidate for prime minister could also come from the south.

The strongest contender is Mr Sharad Pawar, the chief minister of Maharashtra.

Mr Rao did not make an appearance at the crowded press conference that followed his election. However, a statement was issued on his behalf in which he said that no other party than Congress could provide the "strong and stable government" that India needs.

Given both his age and the circumstances in which he has taken over the leadership, few observers believe he can inject much dynamism into the campaign.

The Congress strategy is for the leaders in each of the states to concentrate on maximising support in their own area. The party's campaign will concentrate on winning maximum sympathy from Mr Gandhi's assassination and on projecting the Hindu revivalist Bharatiya Janata party (BJP) – the main challenger to Congress – as responsible for the violence and divisions within the country that provided the context for Mr Gandhi's death.

Mr Rao was born in 1921 in the southern state of Andhra Pradesh, of which he was chief minister during 1971-75.

He has held the posts of foreign minister, home minister and minister of human resource development under the administrations of Mrs Indira Gandhi and Mr Rajiv Gandhi.

Preliminary approval for Soviet law on economy

By Leyla Boulton in Moscow

LEGISLATION designed to attract large-scale foreign investment to the Soviet Union and help revive the country's ailing economy was given preliminary approval by the Soviet parliament yesterday.

The law provides for the repatriation of profits in hard currency, 100 per cent foreign ownership of Soviet enterprises, and the granting of concessions to foreign entrepreneurs to take over and exploit natural resources such as mines and oil reserves.

Mr Valentin Pavlov, the Soviet prime minister, told the Supreme Soviet that 42 per cent of the country's industrial assets needed replacing. "World experience and the state of our economy dictate that the promotion of foreign investment in every way is necessary," he told deputies.

The bill's appearance in parliament, where it now goes to a second and final reading, coincides with intensive Soviet negotiations with the west to obtain aid in return for genuine market reforms.

While setting out a general framework for foreign investment, the law in itself is unlikely to trigger a rush by foreign investors, who will need to see detailed provisions for its implementation.

"This law has to be passed for anything else to happen," said Ms Barbara Duvoisin, a Moscow-based management consultant with Price Waterhouse, the international accounting firm. "But it is the details which come afterwards that are important."

The legislation does not spell out how foreign investors can take their profits out of the country, apart from saying that they will be able to sell roubles for market rates at auctions, exchanges and other venues (all of which have yet to be open to foreigners).

Joint ventures, which have been the main channel for foreign investments under President Mikhail Gorbachev, are already allowed to repatriate profits, but have found it difficult to do so in practice.

But in a sign of the central government's increased co-operation with the republics, the legislation also allows republican authorities to provide their own extra incentives for foreign investors. This will mean that republics will be in a position to compete for foreign investment.

Soviet bank debt, Page 2

Prussian touch comes to the Bundesbank

By David Marsh in Bonn and Andrew Fisher in Frankfurt

MR Helmut Schlesinger, who will take over as Bundesbank president at the beginning of August, brings a reputation for toughness and austerity to the top job in German central banking. Given the complexity of the challenges facing the Bundesbank, he will need diplomatic finesse as well.

It is certain that the way in which the Bundesbank broadcasts its policies to the public will undergo a definite change compared with the free-wheeling style of Mr Karl Otto Pöhl, the present central bank chief.

The Bonn government at its weekly cabinet meeting yesterday approved the choice of Mr Schlesinger, vice-president since 1980, to take over from Mr Pöhl. The switch will come at the end of July, several months before the departure date of October announced by Mr Pöhl two weeks ago.

Speaking at the fortnightly meeting yesterday of the Bundesbank's policy-making council, Mr Pöhl welcomed the appointment of Mr Schlesinger and the new deputy, Mr Hans Tietmeyer. Mr Pöhl explained that he decided to stand down earlier because of the speed with which the government had decided on his successor.

Another factor behind the decision, however, is almost certainly Mr Pöhl's awareness of the drawbacks of spending his final few months as a "lame duck" president.

Although he will not make an announcement about his career plans until he leaves the Bundesbank, rumours have circulated of a move to a US investment house. Mr Pöhl is going to New York next month on a long-standing lecture engagement. The Bundesbank yesterday played down suggestions that he would use the trip to discuss job prospects.

Mr Schlesinger, a Bavarian, is an amiable man in private with no shortage of charm. One colleague on the central bank council, however, says he has a Prussian touch to him – and a love both of argument and of being proved right.

His public persona is that of a hardliner. He is the man who early in the 1970s developed the Bundesbank's system for targeting the money supply (something which Mr Pöhl has never taken all that seriously).

Mr Schlesinger also enjoys the unique experience of having been blamed by the Reagan administration for helping provoke the stock market collapse of October 1987 as the leader of the Bundesbank's tight money faction, and by the former Social Democrat government in Bonn, for having engineered the downfall of Chancellor Helmut Schmidt in 1982.

One of the intriguing questions will be how well he handles the increasingly sensitive and fractious 18-man Bundesbank council.

A foretaste came at yesterday's meeting. Mr Schlesinger, in his capacity as the Bundesbank director responsible for credit, unveiled plans for a new system for booking the large cash balances of the state governments held at the bank.

The proposal is unpopular with many of the state representatives on the council because it would result in financial disadvantages for most German states.

Mr Pöhl believed in the virtues of not talking too much himself at council meetings and allowing relatively free flow of argument among his state central bank colleagues.

The approach did not always pay off, but it remains to be seen whether Mr Schlesinger will come up with a better one.

Bush seeks arms curb

Continued from Page 1

These proposals in particular present difficulties for Israel, which is generally accepted to be the region's only nuclear power, although it has never acknowledged that it has such weapons. Mr Yitzhak Shamir, the prime minister, and Mr Moshe Arens, defence minister, will today outline their reservations to Mr Richard Cheney, the US defence secretary, who is visiting Israel.

Yesterday, Israel radio reported that Mr Shamir had asked for a postponement of Mr Bush's speech until he and Mr Arens had had the chance to outline their positions to Mr Cheney, but his request was turned down.

Western groups may invest in Iran's oil

By Deborah Hargreaves in Isfahan

IRAN IS close to agreement with several western companies on investing in the country's oil production. French companies Elf Aquitaine and Total are understood to be in the final stages of negotiations, and Italy's Agip is discussing investment in a gas project in the Queshm free trade zone.

"We are working on certain formulae for investment," Mr Gholamreza Aqazadeh, the Iranian oil minister, said. "Many problems are resolved and we are close to reaching an understanding with several companies."

UK companies Shell and British Petroleum are also in talks with the Iranians but are not close to a contract.

Mr Aqazadeh would not elaborate on whether the companies would be offered equity in the oil they discover. But he said he was not negotiating with any US companies.

Iran will raise its oil capacity to 5m barrels a day from its current rate of 3.4m b/d. Mr Agazadeh said this would restore output to the levels that were in place before the Iran-Iraq war. Iran will concentrate its approach in three main areas.

Capacity will be increased by boosting drilling in existing fields and proceeding with gas-injection projects that were postponed or halted altogether in the Iran-Iraq war.

He said the country would also repair damage to its offshore oil installations, which currently have a capacity of 270,000 b/d. This will be raised to around 700,000 b/d – the prewar output level. In order to do this, Iran needs 200 drilling rigs and 40 are currently in place.

Iran still holds some 40m barrels of oil in floating storage, much of it close to Rotterdam and the UK.

Mr Aqazadeh said he regarded this storage as floating export centres: "We meet 38 per cent of European oil demand and this oil is kept in that area because it is near consumption centres."

Mr Aqazadeh said he believed the industry was entering a decade of mutual understanding. He added that he hoped producing and consuming countries could co-operate on environmental problems and information.

Iran is trying to play the role of power-broker within the Organisation of Petroleum Exporting Countries, and Mr Agazadeh said that Iran was striving to achieve a greater degree of co-operation between Opec producers.

He mentioned that the Soviet Union had discussed with him its desire to join Opec but that no formal application had been made.

He said that Iran should have a fair quota in line with demand and with a view to maintaining a stable oil price. Demand for the third quarter of this year did not look robust but would be better in the fourth quarter.

Accords near, Page 4; Economic co-operation, Page 6

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	66	Berlin	F	17	63	Caracas	F	31	88	Faro	S	21	70	Islamabad	F	36	97
Algiers	S	22	72	Biarritz	S	28	82	Casablanca	S	22	72	Florence	S	21	70	Istanbul	R	12	54
Amsterdam	C	13	55	Bombay	F	34	93	Chicago		-	-	Frankfurt	F	19	66	Jakarta	C	30	86
Athens	F	21	70	Bordeaux	S	27	81	Cologne	C	18	64	Geneva	S	21	70	Jersey	C	14	57
Bahrain	S	30	86	Boulogne	C	14	57	Copenhagen	S	16	61	Gibraltar	S	22	72	Johannesburg	S	16	61
Bangkok	C	33	91	Brussels	C	14	57	Corfu	S	17	63	Glasgow	F	16	61	Lima	C	22	72
Barcelona	F	18	64	Budapest	R	13	55	Dallas		-	-	Helsinki	F	14	57	Lisbon	S	25	77
Beirut		-	-	Buenos Aires	R	23	73	Dublin	C	14	57	Hong Kong	F	33	91	London	C	12	54
Belfast	C	15	59	Cairo	S	24	75	Dubrovnik	F	15	59	Innsbruck	F	17	63	Los Angeles		-	-
Belgrade	C	10	50	Cape Town	S	23	73	Edinburgh	S	13	55	Inverness	F	13	55	Luxembourg	F	19	66

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	C	19	66	Milan	S	79	174	Nicosia	S	21	70	Salzburg	F	16	61	Tenerife	C	19	66
Madrid	S	23	73	Montreal		-	-	Oporto	S	24	75	San Francisco		-	-	Tokyo	S	19	66
Majorca	S	23	73	Moscow	S	25	77	Oslo	S	18	64	Seoul	S	23	73	Toronto		-	-
Malaga	S	22	72	Munich	S	17	63	Paris	F	19	66	Singapore		-	-	Tunis	S	22	72
Malta	S	19	66	Nairobi	F	25	77	Peking	C	18	64	Stockholm	F	15	59	Valencia	F	23	73
Manchester	C	11	52	Naples	S	18	64	Prague	C	13	55	Strasbourg	S	22	72	Venice	S	20	68
Manila	F	36	97	Nassau		-	-	Reykjavik	C	11	52	Sydney	F	18	64	Vienna	F	16	61
Melbourne	C	12	54	New Delhi	S	38	100	Rhodes	F	20	68	Taipei	F	33	91	Warsaw	F	16	61
Mexico City		-	-	New York		-	-	Rio de Janeiro	F	32	90	Tangier	F	25	77	Washington		-	-
Miami		-	-	Nice	S	20	68	Rome	S	19	66	Tel Aviv	F	22	72	Zurich	S	21	70

Temperatures at midday yesterday C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

THE LEX COLUMN

Buying hotels the hard way

Queens Moat has weathered the recession in the hotel business better than most, chiefly because of its diversification into Europe. But as yesterday's £184m rights issue demonstrates, aggressive expansion has its costs. The market has been subjected to a blizzard of Queens Moat paper over the past decade: the issue is its seventh since 1980, not counting last year's paper acquisition of Norfolk Capital. At least this time the company has gone for a convertible preference issue, offering investors a touch of variety.

The natural assumption is that the money is to be spent on buying yet more hotels. This poses a slight conceptual problem. The group's market value stands at a 30 per cent discount to the net value of its assets, which consist of hotels at current value. Thus, having handed over their money, investors can expect to see 30 per cent of it promptly vanish. To institutional investors who could equally well buy Queens Moat hotels through sale and leaseback, this might seem an expensive procedure.

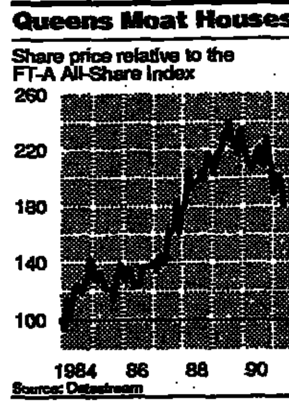
The company's answer would doubtless be that sale and leasebacks can also be expensive because of capital gains tax. It can also argue in favour of yesterday's issue that the dilutive effect on earnings is minimal, while investors are offered an enticing 10 per cent gross yield and a modest conversion premium of 14 per cent. Gearing is meanwhile cut by 15 points to a more comfortable 42 per cent.

The question is where the company's finances go from here. Some £45m of the proceeds are already earmarked for further expansion in Europe and, at some stage, Queens Moat will want to buy the outstanding 51 per cent in its French associate HI Management. On the assumption that the rapid earnings growth of the 1980s is now over, the time may be approaching when the company can no longer count on shareholders to fund its progress.

FT-SE Index: 2,492.9 (+13.2)

Queens Moat Houses

Share price relative to the FT-A All-Share Index



Source: Datastream

Carlton

Mr Michael Green lost his glamorous stock market rating long ago. But yesterday's 3 per cent rise in Carlton's shares to 449p – in reaction to a 29 per cent fall in interim pre-tax profits – may just be the sign that some sort of longer-term rehabilitation is under way. Not all Mr Green's former disciples, of course, will easily forgive the underperformance of the last 18 months. But there is arguably encouragement on more than one front.

Mr Green's assurance, for example, that Carlton's much-publicised TV bids have been pitched at a level which will give shareholders a good return suggests that TV stardom is not after all being bought at any cost. A sensibly priced offer, of course, could deny Carlton the prize of a London weekday or South and South East England franchise in the short term. But the company's financial strength – underlined yesterday by the £134m of cash in the balance sheet – would put it in a good position to swoop in 1994 if an incumbent TV operator were to stumble. And the fact that video cassette margins appear to have stabilised at last is a good omen for those convinced that there is recovery potential in the second half.

MEPC

There are few certainties left in the nerve-racked UK property market. One which investors still cling to – with less reason after yesterday's 13 per cent fall in half-year profits from MEPC – is the expectation that strong dividend growth is assured, even if net asset values continue to fall. Last week's figures from Land Securities contained the warning that gravity-defying assumptions should not be taken for granted. MEPC's caution in only maintaining its interim dividend merely underlines the message.

The big question for MEPC is the size of the hit which it will have to take on its development portfolio in September. At this stage, one can only hazard a guess, but anywhere between £60m and £100m is possible. There are still no tenants for the Alban Gate development in the City of London or for six other projects due for completion by the end of this year. By contrast, LandSecs looks to have been rather clever, having already pre-let 68 per cent of its development projects due to be finished by end-1992.

MEPC may be paying the price of a big City of London refurbishment programme embarked upon just as the market peaked. It cannot be accused, though, of having rushed headlong to buy empty sites or of crippling its balance sheet. Interest cover is 1.6 times at the interim stage, while gearing is unlikely to be more than 60 per cent by end of the year. The shares – which trade at a discount of 28 per cent to the prospective net asset value of 680p – will enjoy a better rating when the recovery comes. The trouble is that there is no longer any certainty about when it will arrive.

Warburg

Yesterday's full-year figures from SG Warburg again demonstrate what a mixed bag the UK's leading merchant bank has become. The quality part of the group, as always, is the 75-per cent owned Mercury Asset Management. MAM's mere 1 per cent drop in earnings last year sent its shares up by 10 per cent yesterday. The implied market value of the rest of the group – investment banking, or Warburg proper – fell by 6 per cent.

This is a useful corrective to the view that Warburg is unusual in the securities industry for its stability. Having fallen by 42 per cent in the first half, profits from investment banking were down by 33 per cent in the second. As to where they will go from here, there is simply no saying. Everything depends on the level of activity and confidence in world markets, which will dictate both the profitability of securities trading and the all-important quantity of corporate deal-making. It will also dictate the performance of the shares, which remain a geared punt on the markets overall.

At yesterday's 447p, the shares are on an historic yield of 4.8 per cent. This is in line with the market average, around which the shares tend to fluctuate according to the animal spirits of the investing community. For bulls, this makes them cheap. But there are other more scientific ways of gearing up for a rising market. Failing that, it might pay to settle for MAM shares instead.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday May 30 1991

INSIDE

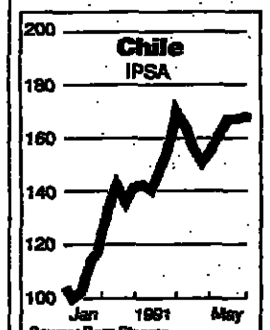
Pru shareholders hit out at 43% pay rise

Angry shareholders sharply criticised the leadership of Prudential Corporation, the UK's biggest institutional investor, at yesterday's annual general meeting. One subject of attack was the decision to award chief executive Mr Mick Newmarch a "staggering" 43 per cent pay increase in a year when the company recorded a loss of £340m ($591m) on its ill-fated real estate agency business and saw profits plunge 37 per cent to £243.8m. Page 29

IBM launches efficiency drive

Mr John Akers, IBM chairman, has told senior managers that the the world's largest computer manufacturer must become more efficient to stem the long-term erosion of its dominant share of the world computer market. He is said to be determined to stamp out complacency and to reduce bureaucracy among the company's 373,000 employees. He warned managers that the tension level was not high enough and that there were too many people standing around the water cooler waiting to be told what to do. Page 23

Up, up and away



Stockbrokers are beginning to wonder whether a dangerous descent is in the offing for the Santiago Stock Exchange. The index of the 50 most traded shares, IPSA, has climbed 66 per cent so far this year, while the IFC dollar index for Chile has risen 45 per cent. But the economic outlook does not justify the rise in share values. Back Page

Warburg hit by recession

SG Warburg, the London investment bank, saw annual profits fall 30 per cent — from £187.5m (£326m) to £132.2m — in the year to March 31. Earnings per share were 40.4p, down from 57.3p. The group was hurt by the slump last year in the securities markets and takeover activity, but it said conditions had improved since then. Page 27

Queens Moat buys 15 hotels

Queens Moat Houses, the pan-European hotel group, yesterday strengthened its continental base with an acquisition of 15 hotels for £45m ($78m) accompanied by a £184m rights issue. The company, which has moved into Austria and eastern Europe for the first time, now has a greater proportion of its hotel beds on the Continent rather than in the UK. Page 28

Sacks, sacks and more sacks

India's over-protected and inward-looking jute industry is about to face huge shake-up. The Indian government is poised to launch an ambitious export campaign in the hope of raising foreign currency earnings. Whereas it is hoped export of jute goods — from sacks to carpets — will increase to over 400,000 tonnes a year, a host of technical and marketing difficulties remain. Kunal Bose reports. Page 30

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Douglas Hldg	805.5	+	12.5	Alcatel Als	597	+	18
Kaufhof	532	+	22	Chargeurs	725	+	28
Wella Prf	733	+	11	Ecco	364	+	14
Falls				Peugeot	594	+	21
AEG	187	−	3.1	**Falls**			
Asko Prf	750	−	15	Eurocom	799	−	30
Zanders Feinp	253.5	−	6.5	Locafrance	430	−	61
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Chrysler	14⅝	+	⅜	Pacific Ind	980	+	85
Digital Equip	66⅜	+	2⅞	Sailor Pen	1720	+	200
Ford Motors	35⅞	+	1½	Sanko Eng	1360	+	100
Gen Motors	42⅜	+	1⅝	**Falls**			
Johnson Prods	16½	+	1⅛	Mitsui Wharf	1170	−	100
Falls				Nippon Densai	2060	−	170
Alaska Air	22⅛	−	⅞	Yokogawa B Wk	2200	−	230

New York prices as at 12:30.

LONDON (Pence)							
Rises				**Falls**			
ASDA	115	+	6	Abbey	65	−	5
Applied Holog	175	+	13	Burmah	536	−	18
Carlton Comms	449	+	13	Gates (FG)	85	−	5
Mercury Asset	710	+	67	McAlpine (A)	243	−	6
Osprey Comms	44	+	5	Pearson	736	−	24
Ritz Design	166	+	12	Power Corp	113	−	5
Scott Pickford	21½	+	3½	Reed Intl	392	−	12
Speyhawk	63	+	8	Southnews	53	−	4
Unilever	753	+	14	WPP	155	−	12
Westpool Inv	127	+	29				

French insurer makes FFr2bn cash call

By George Graham in Paris

ASSURANCES Générales de France (AGF), the French state-owned insurance company, has announced a rights issue that is expected to raise more than FFr2bn ($340m) in fresh capital.

The group, like the two other state-owned insurance companies, is taking advantage of a change in the law which allows them to sell up to a quarter of their capital to the public. The law change also enabled foreign investors for the first time to buy shares in the state insurance companies.

Union des Assurances de Paris raised FFr10.5bn from France's largest rights issue last February when the law took effect. Groupe des Assurances Nationales followed suit in June with a more modest FFr2.44bn offering.

AGF, at the time, had little leeway to issue new shares, as the government's stake in the company was already close to the 75 per cent limit.

Since then, however, the government has boosted AGF's capital by transferring to the group shares in other state-controlled companies worth FFr4.6bn. The shares include stakes in Total, Péchiney, Rhône-Poulenc and Banque Française du Commerce Extérieur. If AGF's new rights issue dilutes the state holding to the 75 per cent limit, it could raise perhaps FFr2.8bn.

AGF's board is due to meet today to decide on the terms and timing of the issue, which is to include a French public offering and an international placing.

Expectations of a steady flow of rights issues have helped to dampen the French stock market in recent weeks.

Companies such as Cap Gemini Sogeti, the leading computer services company, have returned to the market with issues which they had postponed due to the Gulf war.

Others have rushed to refinance big acquisitions, such as Accor, which last year acquired the Motel 6 chain in the US for $1.3bn.

Besides these conventional issues, however, there has also been a series of capital increases disguised as takeovers: for example, Paribas's complex paper deal to take full control of its construction materials subsidiaries Poliet and Ciments Français. There has also been one takeover disguised as a rights issue: the sale of retailer Conforama to Pinault for FFr4.4bn.

Recent Issues in France

- **Accor:** Convertible for FFr2bn
- **Béghin-Say:** Rights for FFr1bn; Convertible for FFr2bn
- **Bollore:** Convertible for FFr800m
- **Cap Gemini:** Rights for FFr1.58bn; Warrants for FFr1.58bn
- **Club Med:** Rights for FFr417m
- **Elf Aquitaine:** International for FFr2.7bn

Finnish group to have 5% stake when British company is floated

ICL agrees to pay £230m for Nokia Data

By Alan Cane

ICL, the UK-based computer manufacturer in which Fujitsu of Japan has a majority stake, confirmed yesterday that it intended to buy Nokia Data, the loss-making information systems arm of Nokia, Finland's largest quoted company.

The deal would result in a company employing some 24,000 people worldwide with global sales of about $4bn. It is to be known as ICL Nokia Data in Scandinavia and ICL elsewhere.

Shares in Nokia rose sharply on the Helsinki stock exchange yesterday as brokers anticipated improved profitability with the removal of the troubled division.

Nokia Data, with sales of about $1.8bn, was the only Nokia business group to show a loss in 1990. Senior executives expect the division to return to profitability this year, in spite of the deep recession in Scandinavia.

The purchase is being made through an unorthodox procedure which will result eventually in Nokia holding a 5 per cent stake in ICL. The consideration is £230m ($402.2m), roughly 250 per cent of Nokia Data's net asset value. It will be paid as a combination of £50m cash and £180m of ICL preference shares.

ICL is owned 80 per cent by Fujitsu of Japan and 20 per cent by Northern Telecom of Canada. When Fujitsu bought ICL last year from STC, it agreed to float 49 per cent of the company when a sustainable share price of £2.25 could be obtained.

Terms of the Nokia deal are that on flotation, half the preference shares will be converted into ordinary shares, giving Nokia a maximum 5 per cent stake in ICL.

Mr Peter Bonfield, ICL's chairman and chief executive, said yesterday that it was a "novel" method of financing an acquisition. The advantages to ICL were that it enabled the company to fund the deal from its own resources while maintaining gearing at about 30 per cent. Fujitsu had given approval for the merger but no finance.

Mr Kalle Isokallio, president and chief operating officer of Nokia, will have a seat on the ICL board. He said that the shareholding would give Nokia a wider window into the technologies and methodologies of the computing marketplace.

Nokia is a leader in consumer electronics and mobile telephones, two businesses that depend heavily on keeping pace with the latest technology.

The merger between ICL and Nokia Data reflects the continuing process of consolidation in the worldwide computer industry. Gross margins are being squeezed through a combination of increased competition, the falling cost of technology and moves to "open" or standard systems.

Mr Bonfield said yesterday that companies had to improve efficiency by 12 to 15 per cent a year to remain competitive.

Nokia and electronics, Page 22

Ashley Ashwood

Isokallio (left) and Bonfield: the deal, agreed after three years, would eventually give Nokia a 5 per cent stake in ICL

A compatible computer match

ICL and Nokia Data will play into each other's strengths, **reports Alan Cane**

Mr Peter Bonfield, ICL chairman and chief executive, was uncharacteristically disingenuous last week after announcing the company's annual results: "My goal is to get ICL to annual sales of $4bn (£2.28bn), but I have absolutely no idea how to get there", he said with tongue firmly in cheek.

Yesterday, with the announcement of ICL's planned acquisition of Nokia's information technology division, Nokia Data, the strategy and depth of preparation became clear. The merger, which is expected to be completed on September 30, would create a company with some 24,000 staff and total revenues of $4bn. The deal was signed only at the weekend but the two companies have been talking for at least three years.

Mr Kalle Isokallio, president and chief operating officer of Nokia, said that merger discussions in 1988 had foundered on objections from STC, ICL's former parent, to equity participation by a third party.

The unusual structure of the present deal would give Nokia a 5 per cent stake in ICL when the company is floated sometime in the next two to five years.

The waiting period has given the two chief executives ample time to reflect on the industrial logic of the deal. Both emphasise it makes sense both geographically and in terms of product range.

ICL is strong in the UK and has a solid retail systems business in the US, but it has always been woefully weak in continental Europe, especially in Germany, Europe's fastest growing computer market.

With the Nokia Data acquisition it immediately gains a $1bn market in Europe, including a $200m business in Germany.

Nokia Data has been overly dependent on the Scandinavian market which provides 60 per cent of its sales. The region's deepening recession has largely been responsible for its losses last year rather than the problems of competition and pressure on margins afflicting the entire industry.

The two companies will not suffer from problems of product incompatibility which have bedevilled other industry mergers. ICL's chief business is mainframe computers and mid-range systems. Nokia Data specialises in the assembly of workstations and personal computers, and is expert in local area networking – linking workstations to communications networks. It is also expert in ergonomics – fitting machines for human use – which should filter through into ICL's product design.

Both companies are committed to "open" systems which offer customers' greater power than proprietary designs at lower prices.

Mr Bonfield said there would be some rationalisation throughout the merged company but both had already undergone extensive restructuring to match the new tighter market conditions.

"If the

Nokia Data may not have been ICL's first choice for a European partner. Talks that would have led to a merger with the Kienzle division of Mannesmann failed recently when the German company was acquired by Digital Equipment of the US.

Until the deal is completed Nokia Data will continue to be managed by Mr Isokallio and Mr Vittorio Levi, Nokia Data's newly appointed chief executive. It is not known whether Mr Levi, formerly a top Olivetti executive, will stay with the merged company.

Mr Levi compares managing in today's computer industry to reading a good thriller: "You don't stop half way; you want to know how it ends."

ICL, at any rate, is not stopping half way. It has already begun shopping for acquisitions that will strengthen its software and services activities.

Commerzbank profits jump 30% in first four months

By Andrew Fisher in Frankfurt

MR WALTER SEIPP marked his departure as the chief executive of Commerzbank yesterday by telling shareholders that profits had risen steeply in the first four months of this year.

At the annual meeting in Munich, he said group partial operating profits – not including earnings on the bank's trading on its own account – had jumped by 30 per cent in the first four months to DM508m ($300m). The full operating result, which does include own-account dealing in securities and foreign exchange, was up by 31 per cent.

Mr Seipp, 65, who stepped down at the annual meeting to be succeeded by Mr Martin Kohlhaussen, said Commerzbank would "remain on a successful course" in 1991.

With an improved interest rate margin, its continued lending expansion led to a 23 per cent rise in the parent bank's net interest income in the January-April period.

Net commission income also remained high due to increased earnings from foreign commercial business and payments transactions, although profits from securities and new issue activities weakened. The 16 per cent rise in combined net interest and commission income was accompanied by a growth of 14 per cent in operating costs.

Seipp: farewell address

These partly reflected the large investments in east Germany, where Commerzbank expects to have more than 100 branches by the year-end. Mr Seipp said that the bank had achieved a positive operating result in east Germany in April.

Commenting on the possibility of a cross-shareholding with Crédit Lyonnais, the state-owned French bank, he said both sides wanted to deepen their relationship, but there was no pressure for an agreement. "Commerzbank is also big and strong enough on its own to meet the challenges of the future with success."

Mr Seipp said Commerzbank had made no provisions against its Soviet credits, although it would do so if the situation in the USSR worsened. The bank's only creditor there was the Foreign Trade Bank, which had met all payments.

Despite the country's problems, it was still the second world power after the US and rich in resources, he said.

SocGen buys Johannesburg bank

By George Graham in Paris

SOCIETE Générale, the French commercial bank, has bought International Bank of Johannesburg, marking the first move by a European bank to return to South Africa since the lifting of a European Community ban on new investment.

The French banking group will buy 50 per cent of the Johannesburg bank, which has total assets of R505m ($180m), from Bankorp Holdings, the South African banking group, and the remaining 50 per cent from unnamed "foreign investors".

The deal is more of symbolic than practical importance, indicating the greater willingness of the international community to be seen doing business with South Africa again.

The bank, created in 1981, was the brainchild of Mr Fred du Plessis, the late chairman of Sanlam, the country's second-largest life office.

The bank was set up to capitalise on French-South African trade links.

Société Générale said the closing of the South African economy had prevented it from fulfilling an international role. Johannesburg analysts speculate that the unnamed foreign sellers are French, possibly Société Générale itself.

The sale is part of a significant restructuring at Bankorp, the smallest and weakest of the country's big five financial institutions, which made large losses in 1990.

The South African bank, which is based in Johannesburg with a branch office in Cape Town, is expected to change its name to Société Générale South Africa.

Société Générale expects to develop the International Bank of Johannesburg's corporate banking business, as well as set up a capital markets operation.

ICI bank advisers prepare Hanson defence strategy

By David Owen in London

IMPERIAL Chemical Industries' three blue-chip merchant bank advisers are compiling separate valuations of the chemical combine's businesses as part of a comprehensive package to defend a possible Hanson bid.

Each of the three – Schroders, SG Warburg and Goldman Sachs – is working against the clock to come to a rough-and-ready assessment. This will then be refined if circumstances permit.

Hanson, the conglomerate, bought a 2.8 per cent stake in ICI some two weeks ago in a move which has fuelled intense speculation that a full-blooded takeover attempt might eventually emerge.

Under a co-ordination plan finalised by the advisers yesterday, one of them will assume a leadership role in reporting back to ICI the consensus view on each of the business units.

Of the biggest divisions, Goldman is believed to be taking responsibility for pharmaceuticals and speciality chemicals, Warburg for bulk chemicals and agrochemicals, and Schroders for paints and Tioxide.

Pharmaceuticals is seen as the most valuable segment of ICI's business, with one analyst – Mr Jeremy Chantry of Kleinwort Benson – ascribing it a value of £6bn out of a group total of £12.66bn.

Goldman last year topped – for the third year running – the international bids table compiled by FT Mergers and Acquisitions International magazine, advising on 43 deals worth $21.8bn.

Perhaps the most conservative of the Wall Street houses, it has acted in about half of the largest UK bids and takeovers, in spite of its aversion to advising hostile bidders.

Schroders, which like Warburg has advised ICI on a regular basis for more than 20 years, acted for the group when it bought the 50 per cent of Tioxide it did not already own for £160m ($276.8m) from Cookson Group last year.

It has defended Pilkington, Rowntree and Consolidated Gold Fields against hostile bids. Mr John Reynolds, the bank's ICI team leader, was seconded to the group's acquisitions department for a spell in the mid-1980s.

ICI has been contemplating a restructuring since last autumn when it reviewed its entire operation.

It took a £300m below-the-line charge for reshaping its business portfolio in its full-year accounts, but has so far been reluctant to reveal its plans in detail.

● Trade unions representing ICI workers yesterday asked for a meeting with the company to discuss the protection of pension funds and benefits in the light of a possible Hanson takeover.

The unions intend to demand assurances that ICI pension scheme rules provide adequate protection from the possible removal of fund surpluses by any party obtaining ownership or control.

Observer, Page 18; A party divided, Page 29

NFC forecasts no early upturn

By Clare Pearson in London

NFC, the transport, freight and distribution company regarded as one of the barometers of the UK economy, yesterday said it could detect no signs of an upturn in demand for its services.

Speaking as the company unveiled interim pre-tax profits down from £40.5m to £33.9m, Mr James Watson, chairman, said: "Although there is talk about recovery, we have not seen this translated into higher demand."

Recession in the US also affected the group during the 28 weeks to April 20, when turnover fell to £831m, compared with £856.1m in the comparable 29-week period last year.

Mr Watson said NFC had not ruled out further job losses after cutting its UK workforce by about 3 per cent through 1,000 redundancies. "Freight management, truck rental and home removal activities are bumping along the bottom at the moment," he said.

Despite this background, NFC's profits fall was attributable mainly to the travel and property divisions. The transport division managed to push operating profits ahead from £13.7m to £14.4m due to cost-cutting measures, growth in contracted business and additional waste management business.

Meanwhile, the logistics division, which includes many food retailers among its customers, achieved a 23 per cent rise in operating profits to £19.5m (£15.8m), assisted by acquisitions.

With activity at a standstill in the first quarter, property profits plummeted to £3.1m (£10.7m). Seasonal losses at the travel business deepened from £3.9m to £5.6m reflecting delayed bookings, the Gulf war and the collapse of the International Leisure Group in March.

Mr Watson said: "We need to find a strategic solution for the travel division" following the sale of the Tradewinds tour operator last November. He said he did not rule selling the remaining Pickfords Travel business.

It was largely the depression in domestic removals in North America that hit home services, where the contribution was down at £8.4m (£10.3m).

Mr Watson said proposals announced earlier this week by Mr Malcolm Rifkind, the transport secretary, to revitalise rail services were of limited relevance to the company. His assessment reflected the small proportion of freight currently carried on the railways and the substantial investment required to allow distribution by rail to compete with road.

He said NFC had not changed its "best-view" that annual pre-tax profits would total £90m to £95m, compared with £97.7m last time.

An interim second dividend of 1.3p was declared, making a half-year total of 2.5p, a 0.4p increase excluding a non-recurring payment last time.

Iveco plans investment of Pta105bn in Pegaso

By Kevin Done, Motor Industry Correspondent

IVECO, the commercial vehicles subsidiary of Fiat of Italy, is planning to invest Pta105bn ($992m) over the the next four years in its heavily loss-making Spanish subsidiary, Iveco Pegaso.

Iveco acquired a 60 per cent stake in Enasa, the former Spanish state-owned maker of Pegaso trucks, in September last year, with INI (Instituto Nacional de Industria), the Spanish state holding company, retaining a 40 per cent holding.

It warned yesterday that the company was still running up heavy losses which would continue in 1991 and 1992.

Iveco, which has an option to acquire outright control of Iveco Pegaso within six years, gave details yesterday of its industrial plan aimed at ensuring the "survival and development" of the Spanish company.

● It is planning to make the Madrid plant one of the group's European centres for heavy truck making. It will continue to make engines and the existing Pegaso Troner heavy truck range in Madrid, but within a year it is also planning to begin production in parallel of a new range of Iveco heavy trucks.

Investment in Madrid will total more than Pta7bn and around 60 per cent of the Iveco heavy trucks will be exported.

● A new plant is to be built at the existing Pegaso site in Valladolid for the assembly of the Iveco Daily range of heavy vans and chassis cabs with an investment of around Pta10bn.

● It will produce buses and coaches in Barcelona, along with components for axles and transmissions.

● There will be two independent dealer networks in Spain selling separately Iveco and Pegaso badged products.

● Pegaso's earlier contracts for the sale under its own Pegaso Ekus badge of Volkswagen and MAN heavy vans, light trucks and buses are being phased out and will be replaced with Iveco products.

Fondiara set to purchase Latina

By Haig Simonian

NEGOTIATIONS have reached a very advanced stage for the sale of Latina, the Italian insurance company owned by Mr Carlo De Benedetti's group, to Fondiaria, the big insurer partly controlled by his cousin, Mr Camillo De Benedetti.

The purchase would enhance the plans of Fondiaria, which is Italy's third biggest private sector insurer, with group premiums of over L3,500bn ($2.7bn) last year, to close the gap on Generali and Riunione Adriatica di Sicurta, the market leaders.

It would also mark a further, and possibly the last, stage in the disposal of non-core activities currently being undertaken by Mr Carlo De Benedetti.

A decision on the deal is due later today at meetings of Fondiaria's board in Florence and of Mr Carlo De Benedetti's Cofide holding company in Milan. Latina, which is listed in Milan, is majority-owned by Cofide and Cerus, his French holding company.

A spokesman for Fondiaria was unwilling to confirm the takeover information yesterday. However, the company has called a press conference in Florence on Monday.

Latina made net profits of L27.3bn on premiums of L582.5bn in 1989. Results for 1990 will only be released after a board meeting today.

However, premiums are expected to exceed L600bn. In the first half of the year, premiums rose by around 12 per cent to L319bn.

No indication has been given for either the price or the structure for the sale. Latina, Italy's 11th biggest insurer, is mainly involved in non-life activities. It is also the parent company for Mr De Benedetti's successful Finanza & Futuro financial services operation.

Fondiaria has been on a marked expansion path since the reorganisation in late 1989, when Ferruzzi Finanziaria (Ferfin), which previously controlled it, raised L3,600bn by sharing control with Mr Camillo De Benedetti.

Mr Camillo De Benedetti and Ferfin are, through the Paleocapa holding company, majority owners of GAIC, the holding company which in turn controls 51 per cent of Fondiaria.

The Fondiaria-Latina deal would provide a marked boost to Mr Camillo De Benedetti's plans to develop Fondiaria, which last year adopted a new holding company structure, as a powerful international insurer.

It would also fit in with Mr Carlo De Benedetti's disposal programme, which has so far seen the sale of stakes in Société Générale de Belgique and Yves Saint Laurent in France. Although the De Benedetti cousins used to have cross-shareholdings in each others' holding companies, relations cooled some time ago and links were eased. However, in recent months, there have been increasing signs that their rapport has been improving.

Nokia concentrates on electronics

By Enrique Tessieri in Helsinki

NOKIA, one of Finland's largest public companies, is expected to concentrate for the rest of the decade on its three main electronics divisions – consumer electronics, mobile phones and telecommunications – following the merger of Nokia Data with ICL, the UK-based computer manufacturer 80 per cent owned by Fujitsu of Japan.

The combined net sales of these three divisions will amount to around 61 per cent of total sales and will be complemented by Nokia's cables and machinery division, which generated FM5.35bn ($1.3bn) in sales last year. Nokia Data's sales accounted for FM4.89bn of the group's total of FM22.13bn in 1990.

Mr Simo Vuorilehto, Nokia's president and chief executive, hinted yesterday that the money which the company received from the sale of its data division would be earmarked to strengthen the liquidity of the company, as well as possibly used for future acquisitions in the mobile phones sector.

Nokia strengthened its market position in mobile phones last February when it acquired Technophone, the UK-based hand-held cellular phone manufacturer, for £34m ($58m).

The acquisition was a clear signal to the market that Nokia wanted a greater presence in the global mobile phone sector, elevating it to the second largest cellular phone company in the world.

Considering that Nokia Data was a burden on the overall profitability of the parent company, its divestment also signifies a near end to Nokia's three-year restructuring process, which is still under way.

Nokia announced in June 1989 another significant divestment in its paper tissue operations by merging with James River and Montedison.

Nokia tissue operations generated sales of FM2.2bn in 1988.

Some analysts believe that the Nokia Data and ICL merger may also signify an end to "the dirty work" and consolidation of the company which Mr Vuorilehto was hired to carry out after Mr Kari Kairamo, the group's last president and chief executive, committed suicide in December 1988.

Mr Vuorilehto is expected to step down at the end of 1993 and make way for his successor, Mr Kalle Isokallio, Nokia deputy chairman.

French and Swedish in UK telecom link

By William Dawkins in Paris

THE FRENCH and Swedish national telecommunications operators have made an exploratory investment in the British market for the transmission of computer data by radio.

They have taken a combined 25 per cent stake in Ram Mobile Data, a company authorised by the UK Department of Trade and Industry to develop a network for data transmission by radio.

A France Télécom subsidiary, Telecom Systèmes Mobiles, has taken 20 per cent in Ram Mobile Data, while Swedish Telecommunications International has taken 5 per cent.

The network, based on a system set up by Ericsson, the Swedish telecommunications group, would allow users of portable computers to send messages and tap data bases without having to use telephones. While in its early stages, the market is developing fast, says France Télécom.

● Crédit Commercial de France (CCF), the privatised French bank, has lifted from 25 per cent to 51 per cent its stake in Framlington, the British fund management group.

CCF paid FFr150 to FFr160m for the extra shares. The move to majority control was part of the agreement under which it paid £18.75m for a 25 per cent stake in Framlington in May last year.

CCF said the deal would reinforce its European fund management operations. It was planning to launch a Sicav, the French equivalent of a unit trust, to invest in small capitalisation companies, a Framlington speciality.

Glaverbel in joint venture with Asahi

GLAVERBEL, the Belgian maker of flat glass, is to put its $35m stakes in two North American glass-makers into a new holding company, Glas International, writes Andrew Hill in Brussels.

The company will be registered in the Netherlands, and will be jointly owned with Glaverbel's controlling shareholder, Asahi Glass of Japan.

Asahi and Glaverbel will own 50 per cent each of Glas, which will hold Glaverbel's 19.7 per cent stake in AFG Industries, a US glass maker, and its 72 per cent investment in Glaverbec of Canada.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 30.05.91: Pool purchase price £/MWh	Final Prices for Trading on 02.05.91: Pool purchase price £/MWh	Final Prices for Trading on 02.05.91: Pool selling price £/MWh
0030	16.25	16.58	16.58
0100	16.24	16.55	16.55
0130	16.06	17.19	17.19
0200	16.25	19.69	22.58
0230	16.25	23.42	26.27
0300	16.24	23.42	26.26
0330	16.24	23.42	26.42
0400	16.06	17.19	17.19
0430	16.06	16.67	16.67
0500	16.06	16.59	16.59
0530	16.07	16.84	16.84
0600	16.07	16.79	16.79
0630	16.31	16.66	16.66
0700	16.36	18.20	18.20
0730	16.41	21.15	23.95
0800	16.06	23.56	26.42
0830	20.65	27.21	30.10
0900	20.96	27.22	30.11
0930	25.77	23.57	26.37
1000	25.77	23.54	26.33
1030	25.77	23.49	26.28
1100	20.65	23.48	26.26
1130	20.65	23.50	26.29
1200	20.96	23.54	26.34
1230	20.96	23.53	26.32
1300	20.65	23.49	26.28
1330	19.47	23.43	26.22
1400	19.06	23.41	26.21
1430	18.75	22.70	25.48
1500	18.96	27.50	30.37
1530	18.93	27.50	30.37
1600	19.06	23.42	26.22
1630	20.96	23.44	26.24
1700	26.99	23.45	26.24
1730	25.99	23.45	26.23
1800	25.77	23.43	26.23
1830	19.06	21.25	24.03
1900	18.70	20.94	23.72
1930	18.70	20.85	23.64
2000	18.70	20.86	23.65
2030	18.38	20.86	23.65
2100	18.39	24.22	27.06
2130	18.70	24.22	27.03
2200	18.70	24.22	27.03
2230	18.70	24.22	27.04
2300	18.70	19.94	22.70
2330	18.70	19.83	22.71
2400	18.70	16.86	16.86

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Daishowa sells off assets to cover pre-tax losses

By Stefan Wagstyl in Tokyo

DAISHOWA Paper, the Japanese papermaker headed by Mr Ryoei Saito, a controversial art collector, yesterday announced a pre-tax loss of Y14.9bn ($108m) in the year ended March 1991.

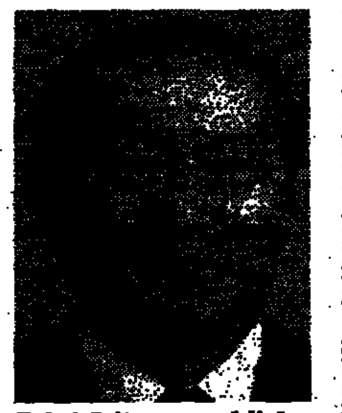
The company sold land and other assets to offset this loss and record a profit at the net level of Y6.86bn, down 19 per cent.

Daishowa, which expanded rapidly overseas in the mid-1980s, expects the weight of its interest payments to continue to hurt its performance – in the current year it forecasts a pre-tax loss of Y6.5bn.

The company is in the throes of a five-year debt-restructuring programme, planning to reduce borrowings from Y450bn at the end of March to around Y250bn by selling more assets, including forests, and raising new capital. It is to repay Y14bn in the current year.

The borrowings include funds used to expand domestic capacity in competition with other Japanese manufacturers and money paid for overseas purchases, including the C$631m (US$550m) acquisition in 1988 of the Canadian paper operations of Reed International, the UK group.

The company has been in debt-induced difficulties before. About 10 years ago, it was rescued by Sumitomo Bank, its main bank, after business



Ryoei Saito: severed link with Sumitomo Bank

activity fell steeply in the wake of the oil shock.

Mr Saito then already had a substantial art collection, including Japanese and western works. Sumitomo insisted that the paintings be sold to help clear debts. Mr Saito never forgave the bank. When Daishowa recovered in 1986, he severed its connections with Sumitomo.

Later, Mr Saito started collecting art again, using private, not corporate, funds. A year ago, the 75-year-old businessman surprised the art market by buying for $160.6m a Renoir and a Van Gogh. This year, he told journalists that he had asked his family to have the two works burned with him when he died. He afterwards said he had been joking.

An art dealer said Mr Saito's remarks showed how strongly he felt the sense of possessing the paintings, a sense reinforced by the fact that he had once lost his collection to his creditors.

Some Daishowa employees have suggested that Mr Saito should now use his wealth to support the company. But he has shown no sign of wanting to do so.

Sumitomo Bank still holds a 3.9 per cent stake in Daishowa, but is not listed among the company's main banks, which include the Industrial Bank of Japan.

In the year to March, the company's sales rose 2.5 per cent to Y353.6bn. With the help of the asset sales, it will pay an unchanged dividend of Y7 a share.

● Seven other leading Japanese papermakers posted sharp falls in profits in the year to March, due to the same squeeze on margins which affected Daishowa Paper. At Oji Paper, the biggest group, pre-tax profits fell 36.7 per cent to Y25.8bn, despite a 2.8 per cent increase in sales to Y481.9bn.

For the current fiscal year, the seven companies expect higher sales but lower or flat pre-tax profits due to rising raw materials costs and slumping paper prices.

Orix flat despite revenue rise

By Neil Weinberg in Tokyo

ORIX, Japan's largest leasing company, reported profits little changed for the year ended March 1991 in spite of a 41 per cent rise in consolidated revenues.

The company said its efforts to diversify and improve efficiency were undermined by a "problematic climate," characterised by sharply rising land prices and interest rates, plus a slumping stock market.

Revenues hit Y445.4bn ($3.23bn), with much of the gain derived from a 61.8 per cent rise in interest on loans and securities to Y229.2bn. Direct and operating leases, brokerage commissions and capital gains on securities also contributed.

However, consolidated pre-tax profits advanced just 1 per cent to Y40.5bn and after-tax profits 4 per cent to Y20.1bn.

The dull results were prompted by a 47 per cent rise in expenses to Y404.9bn, including a 59.5 per cent jump in interest expenses to Y315.9bn. Total long and short-term debt, corresponding to increased operating assets, grew 11 per cent.

The company also set up a leasing subsidiary in Taiwan, a finance joint venture in Hong Kong and a life insurance joint venture in Japan during the year.

Orix expects consolidated revenues for the year to next March to increase 12.3 per cent to Y512bn. Pre-tax profits are forecast to gain 5.8 per cent to Y48bn and after-tax profits 4.3 per cent to Y21bn.

Konica profits tumble 24% to Y14.4bn

By Neil Weinberg

KONICA, Japan's second largest maker of photosensitive materials, suffered a 24 per cent drop in pre-tax profits to Y14.4bn ($104m) in the year ended April 1991 due to losses from financial operations.

Slack demand for cameras, information equipment and optical devices also dampened sales, which advanced 3 per cent to Y389.4bn. This combined with rising sales and management costs to cut operating profits 12.5 per cent.

Konica, the first company listed on the Tokyo Stock Exchange to release figures for the year to April, expects a slowdown in the Japanese economy to prompt sluggish results for the current year.

Pre-tax profits are forecast to rise less than 1 per cent to Y14.5bn and sales to increase 5.6 per cent to Y390bn.

Premier set to purchase holding in Metro Group

By Our Financial Staff

PREMIER Group, the South African food and consumer products supplier, is to acquire a significant holding in Metro Group and is assume management control.

Premier will purchase 70 per cent of the 47 per cent shareholding in Metro owned by Tradegro. The deal will be undertaken by an exchange of shares, one Premier for nine Metro shares.

A similar offer will be made to Metro minority shareholders.

Premier said Metro would subsequently raise about R142m ($50.6m) by way of a rights issue to reduce borrowings. It would also acquire the capital of another South African foods group, Score Foods.

It said the merger of Metro and Score Foods would improve the distribution capability of Premier and create a restructured company with two distinct areas operating independently of each other in separately listed companies.

The first would be a large wholesale distributor of food and allied products incorporating the activities of Metro Cash and Carry, Trador and Trade Centre. The second would consist of the merged retail supermarket operations of Score and Dairways.

"This transaction unlocks a large amount of wealth. Metro is being reorganised and recapitalised, and will once again operate profitably through the experience and expertise of the new leadership," said Premier.

Premier also said negotiations were well advanced for the disposal of the conventional wholesaling operations of Frasers Greenstein and Rosen which had been a large drain on Metro's profits.

Jacuzzi seeks early result on Eljer bid

By Nikki Tait in New York

JACUZZI, the whirlpool bathmaker owned by Britain's Hanson group, has fired another salvo in its bid to gain control of Eljer Industries, saying it is prepared to go ahead quickly with a $20-a-share cash offer if the Texas-based maker of plumbing, heating and ventilation will lift its "poison pill" provisions.

At present, these are triggered when any investor takes a shareholding over the 10 per cent mark.

Jacuzzi's latest overtures are contained in letter to Eljer. The target company, which was unenthusiastic about Jacuzzi's initial approach this month and has said only that it will consider the merger proposal at its regular board meeting on June 18, made portions of this letter public yesterday.

In the letter, Jacuzzi told Eljer that: "If your board . . . will lift the poison pill, we are prepared to consummate on an expeditious basis a business combination based on the public information available at a price of $20 per share, conditioned on the acceptance by holders of no less than 70 per cent of the presently outstanding shares." This price would value Eljer at around $145m.

Yesterday, Eljer – which has already received a shareholder class action suit, alleging that it is not considering the Jacuzzi approach seriously – appeared to be sticking to its original timetable for evaluating the offer. Jacuzzi, for its part, said that it had received no response from its target.

However, Mr Roy Jacuzzi, president of the California-based company, added that the letter had been sent so that "stockholders have a good understanding of our offer".

The mention of public information, he said, was to emphasise that Jacuzzi was not making due diligence a requirement of the offer. He stressed again that his company was anxious to make the acquisition friendly.

The stock market, however, has scented the possibility that Jacuzzi may have to increase its terms if it wants to gain control of Eljer, which has already seen off one bid attempt by another US company.

Yesterday, shares in Eljer were $⅛ lower at $22⅞.

Assets sale boosts Hitachi Zosen

HITACHI Zosen, one of Japan's largest heavy machinery and engineering companies, reported a 164 per cent jump in pre-tax profits to Y5.35bn ($38m) and a 156 per cent rise in after-tax profits to Y5.06bn in the year to March 1991, writes Neil Weinberg.

The company made the gains by trimming exchange losses and cutting its heavy debt burden by selling its headquarters. Sales fell 13.5 per cent to Y266.25bn, however, on disappointing results in most sections.

IBM chief launches efficiency drive

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines, the world's largest computer manufacturer, is struggling to find ways to become more agile in the face of mounting competition and slow recessionary markets in the United States and Europe.

Mr John Akers, IBM chairman, has told senior managers that the company must become more efficient to stem the long-term erosion of IBM's dominant share of the world computer market.

Mr Akers is said to be determined to stamp out complacency and to reduce bureaucracy within IBM's massive organisation.

In a move aimed at reducing the "overhead" of administrative staff at IBM, he last week appointed Mr David McKinney, former president of IBM Europe, to a special assingment reporting directly to the IBM chairman, to directly attack the problem of slimming IBM's organisation.

John Akers: 'tension level is not high enough'

An account of Mr Akers' remarks to a group of senior managers during a training session at the company's Advanced Management School, was leaked to US newspapers yesterday.

According to the reports, Mr Akers warned managers: "The tension level is not high enough in the business – everyone is too damn comfortable. [We have] too many people standing around the water cooler waiting to be told what to do."

IBM yesterday confirmed that Mr Akers had been taking a tough line in meetings with senior managers over the past six months.

"This is nothing new," a spokesman said.

It is clear that Mr Akers is frustrated by IBM's loss of market share to competitors. Over the past six years, IBM's share of the world computer market has declined from about 35 per cent to about 23 per cent.

"I used to think my job as a [sales] rep was at risk if I lost a sale," Mr Akers reportedly told IBM managers. "Tell them [the sales representatives] theirs' is at risk if they lose one," he said, in an apparent reference to IBM's efforts to reduce its number of "marginal" employees.

IBM has been reducing its workforce for the past five years, using early retirement plans and other voluntary redundancy programmes. From a peak of around 405,000 in 1985, IBM's total number of employees has declined to about 373,000.

In December, IBM announced that it plans to further reduce its US workforce by more than 10,000 this year.

Top Canadian bank down 10%

By Bernard Simon in Toronto

ROYAL BANK of Canada suffered a 10 per cent fall in second-quarter income, with higher expenses and loan-loss provisions taking the shine off record earnings from its 74 per cent-owned securities dealer, RBC Dominion Securities.

Net earnings at North America's second biggest bank dipped to C$230m (US$200m), or 69 cents a share, in the three months to April 30, from C$255m, or 79 cents, a year ago.

The results would have been almost identical but for last year's C$22m gain from the sale of its stake in the Australian bank, National Mutual Royal.

Higher loan volumes helped push net interest income up 7 per cent to C$998m. Fee and other income grew by 8 per cent to C$418m due to higher revenues from capital market, swap and foreign exchange operations, as well as fees from deposit accounts and automated teller machines.

On the other hand, the unexpected severity of the recession in Canada prompted the bank to lift loan-loss provisions to C$155m, from C$100m a year ago and C$140m in the previous three months. Non-accrual loans totalled C$1.9bn on April 30, up from C$1.8bn three months earlier.

The bank ascribed a 12 per cent jump in non-interest expenses to Canada's new goods and services tax and to its retail operations. RBC has easily the largest network of automated teller machines in North America, expanding installations by 31 per cent in the past year to over 3,100 machines. Retail staff numbers have also grown by 6 per cent.

Mr Allan Taylor, RBC's chairman, said that expense control was now the bank's highest priority.

The bank's return on equity slipped to 15.1 per cent from 19.4 per cent, and return on assets dropped to 0.72 per cent from 0.88 per cent. Total assets have climbed by 7 per cent in the past year to C$131.9bn.

RBC has a sturdy capital position, having already exceeded 1992 targets set by the Bank for International Settlements. Using US definitions, which are more generous than Canadian ones, the bank's ratio of total capital to assets was 9.7 per cent on April 30. The ratio measured by Canadian standards was 8.3 per cent.

In contrast to several other large North American banks, bond rating agencies have confirmed RBC's ratings this year after raising them in 1989 and 1990.

Improved margins lift chartered banks

THE BIG Canadian chartered banks are beginning to reap the benefits of lower interest rates and better margins, but loan losses continue to reflect weakness right across the economy, writes Robert Gibbens in Montreal.

Bank of Montreal reported net profit of C$128.4m ($111.6m), or C$1.01 a share, for the second quarter to April 30, up 9.5 per cent from C$117.3m, or 94 cents, a year earlier.

Return on assets was 0.56 per cent, against 0.60 per cent, partly because of heavy branch expansion.

Total assets were up 19 per cent to $97bn, with strong domestic market growth.

Harris Bankcorp, Chicago, had higher earnings, as did Nesbitt Thomson, the Canadian investment banking unit. The Brazilian bank subsidiary, however, went from profit to a loss.

At April 30, net non-performing loans were $1.2bn and loss provisions were raised slightly.

The bank is raising $250m in new capital by an issue of perpetual preferred shares. First half profit was $267m, or $2.11 a share, up 3.4 per cent.

Bank of Nova Scotia's second-quarter profit was $163.3m, up 16.5 per cent from a year earlier, equal to 73 cents a share, against 61 cents. Return on assets was 0.76 per cent, a 14 per cent gain. Non-interest expense rose 12.5 per cent because of strong branch expansion.

Net non-performing loans were $1.47bn at April 30, up slightly, and provisions have been increased. Developing country loans continued to improve. Total assets at April 30 were $88.3bn, up slightly.

First-half earning were $303.5m, or $1.36 a share, up 7.9 per cent.

BIS studies tighter capital ratio rules

By Karen Fossli in Oslo

THE BANK for International Settlements (BIS) is considering additional, tighter capital adequacy rules for banks. The rules would be linked to exposure in currency, interest and share markets, Mr Goran Lind, the Swedish bank commissioner told a seminar in Norway yesterday.

The new demands would add to existing BIS proposals for banks' total equity to amount to 8 per cent of risk-weighted balance sheet items from the end of 1992.

Mr Lind's told delegates there would be no easing of capital adequacy rules. He said that committees with the BIS were considering additional requirements linked to market exposure. He suggested an additional one, two or, at the most, three percentage points above the 8 per cent capital adequacy rules could be enforced from the end of 1993.

Mr Bengt Dennis, the Swedish central bank governor, started a three-year mandate as president of the Basle-based BIS in January.

David Lascelles writes: Central bankers say it is unlikely that total capital requirements would add up to as much as the 11 per cent implied by Mr Lind's remarks. They say some of the additional risks are already included in capital calculations.

However, the new proposals – which will not be adopted without a public debate – could imply a capital increase for some banks.

Macy loss for quarter at $116.4m

By Karen Zagor in New York

THE high-yield "junk" bonds of R.H. Macy, the New York-based department store group, have plunged about 9 points since the company this week unveiled disappointing third-quarter results.

The big US retailer's loss for the three months to the end of May grew to $116.4m, or $77.15 a share, before extraordinary items from a deficit of $63.1m, or $42.53, a year earlier. Macy's net loss in the latest quarter was $100.9m, or $67.70 a share. Sales in the 1991 quarter slid to $1.39bn from $1.49bn.

The highly-leveraged company has raised cash this year through new private equity offerings and the sale of its credit card operations.

In a letter to shareholders, the company said: "We consider our results to be unsatisfactory. While the sluggish economy in the north-east and unsettled conditions in the Middle East were contributing factors, we recognise that increased sales volume hold the key to improved bottom line performance."

The company said it was "aggressively pursuing initiatives to excite the customer and build store traffic. We expect these actions to lead to a resumption of comparable store sales gains no latter than the fall".

Mr Frederick Taylor, a high yield analyst at Salomon Brothers, said the results, which were weaker than expected, show there was no revival in consumer spending after the Gulf war. He said the fourth quarter, which ends in July, would probably be soft.

"The equity injection has bought Macy another Christmas but it did not fix the company's problems," he said.

Macy has sharply reduced its interest expense, but the company needs a strong Christmas for a return to profitability.

Although there is still no real signs of a consumer resurgence, Macy said it planned to expand aggressively in the next five years. "We expect, as a result of this five-year plan, to add $3.6bn in revenues by 1996 – making Macy's a $10.5bn-plus company."

INTERNATIONAL CAPITAL MARKETS

US Treasuries firmer on sporadic retail demand

By Patrick Harverson in New York and Sara Webb in London

US Government bond prices firmed at both ends of the market yesterday morning, aided by sporadic retail demand.

At midday, the benchmark 30-year Treasury issue was up 1/16 at 96 31/32, yielding 8.263 per cent. The two-year note was also firmer, up 1/32 at 100¼, to yield 6.598 per cent. Trading activity was reported to be light.

At the long end, institutional buying – including one large order from a Japanese company – lifted prices, while a squeeze at the short end which forced dealers into hurried short-covering carried the two-year note even higher.

In the credit markets, the Federal Reserve intervened just before noon to soften the Fed funds rate via a series of overnight system repurchase agreements. Yesterday was the final day of the two-week settlement period, and the rush of demand for funds pushed the rate up to 6¾ per cent. By midday, after the Fed's operations had been completed, Fed funds had eased to 6¼ per cent, still some way above the Fed's target of 5¾ per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-23	-02/32	10.35	10.41	10.60
		9.000	09/00	92-25	-02/32	10.26	10.24	10.17
		9.000	10/08	91-09	-04/32	10.07	10.03	9.90
US TREASURY *		8.000	05/01	99-21	+04/32	8.06	8.05	8.05
		8.125	05/21	98-11	+02/32	8.27	8.26	8.21
JAPAN	No 119	4.800	6/99	88.3399	-0.020	7.07	7.04	6.76
	No 129	6.400	03/00	98.6108	+0.028	6.65	6.64	6.70
GERMANY		9.000	01/01	104.3500	+0.020	8.31	8.35	8.39
FRANCE	BTAN	9.000	02/96	100.0070	+0.074	8.97	8.93	9.01
	OAT	9.500	01/01	103.5100	+0.160	8.92	8.90	8.83
CANADA *		9.750	06/01	101.0000	+0.050	9.59	9.55	9.51
NETHERLANDS		8.500	03/01	99.7800	-0.050	8.52	8.60	8.61
AUSTRALIA		13.000	07/00	114.6788	+0.252	10.49	10.43	10.84
BELGIUM		10.000	08/00	105.3000	+0.200	9.11	8.98	8.94

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds, others in decimal
Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ RENEWED investor confidence in the French government bond market helped to lift prices yesterday.

International investors have been switching out of the French market into German government bonds recently due to worries about Mrs Edith Cresson, the new prime minister. However, statements made by Mr Pierre Bérégovoy, the economics minister, on Monday have helped to restore domestic investors' confidence in the market, traders said.

The yield on the 9.5 per cent French government bond due 2001 moved to 8.92 per cent yesterday after closing at 8.95 per cent on Tuesday.

International investors who were overweight in the French market have continued to reallocate their funds in Europe, mainly into German bunds. The German market edged up ahead of the holiday today with the 8⅜ per cent bund due 2001 moving up from 100.65 to 100.75 during the day. The yield spread between 10-year French and German government paper narrowed slightly to 67 basis points.

■ A FLURRY of corporate issues dampened demand for UK government bonds yesterday leading to a fall in gilts prices.

Traders said that corporate borrowers are rushing to issue bonds ahead of the Bank of England's auction of between £1bn and £2bn of medium-dated stock. The benchmark 11¾ per cent gilt due 2003/07 opened at 109⅛ and fell back to 108 29/32 by late afternoon.

■ Japanese government bond prices slipped in Tokyo as Governor Yasushi Mieno emphasised the Bank of Japan's commitment to tight monetary policy yesterday.

Traders said that the governor's statements dampened hopes of an imminent cut in the Official Discount Rate. The yield on the benchmark No 129 JGB opened at 6.645 per cent in Tokyo and closed at 6.655 per cent. JGB prices rose again in London following the US Treasury bond market's lead and the strengthening of the yen.

● AIDC, the investment group 80 per cent owned by the Australian government, has launched a A$1bn domestic bond programme and expects to make the first issue for A$250m next month. The bonds carry the guarantee of the Commonwealth of Australia and are rated AAA by Standard and Poor's and Aaa by Moody's Investors Service.

Jacobs Suchard plans to buy back paper

By William Dullforce in Geneva

JACOBS SUCHARD, the Swiss coffee and chocolate company taken over by Philip Morris of the US last year, plans to buy back $150m in US guaranteed notes and DM100m in bonds issued by its Cayman Islands-based finance subsidiary.

It has also asked for its shares to be delisted from the Swiss and German stock exchanges from June 14. Union Bank of Switzerland will provide an over-the-counter market for the less than 0.3 per cent of the stock still in public hands until the end of August.

The board is offering prices of 100.5 per cent plus accrued interest for the 1994 US notes and 100 per cent with interest for the 1997 D-Mark bonds. Before they were suspended on Monday the notes were trading at around $90 and the bonds in the lower DM80s.

Both offers are conditional on acceptance by holders of 80 per cent of the notes and bonds. Exact terms for the notes will be published in the Financial Times of June 3. Terms for the bonds will be in the Bundesanzeiger on June 3 and selected newspapers on June 3.

Stockholm signs paper programme worth $300m

By Stephen Fidler, Euromarkets Correspondent

THE City of Stockholm has signed an agreement for a $300m Eurocommercial paper programme.

The programme was arranged by Svenska International, and the other dealers are Skandinaviska Enskilda Banken Capital Markets, Swiss Bank Corporation and Yamaichi International.

The programme has been given the top A1+ short-term rating by Standard and Poor's and a top P1 rating by Moody's, the other main US rating agency. Issuance can be in any permitted currency, including Swedish kronor.

● Renault Acceptance and Renault Credit International are launching a Fl 150m commercial paper programme in the Dutch market. The programme, arranged by ABN Amro, has received a P1 rating from Moody's and an A1 rating by Standard & Poor's.

Renault Credit International (RCI) is the holding company of the financing subsidiaries of the Renault group. Renault Acceptance, whose paper will be guaranteed by RCI, has been established in Amsterdam to raise funds in the international markets to on-lend to RCI.

Insurer to offer 'free' shares

By Stephen Fidler

VITAL Forsikring, the Norwegian life insurance company, plans to make an offering of 2m "free" shares in the international market next month through a group of investment banks led by Merrill Lynch International and co-led by Kleinwort Benson.

The pricing and offering is expected shortly after investor presentations in Europe planned between June 10 and June 13. Some existing Norwegian shareholders have also said they intend to sell free shares together with the offering through the same set of investment banks. Free shares are so called because, unlike restricted shares, they can be held by non-Norwegian investors.

Arrangements are being made to trade the free shares, which are already quoted on the Oslo stock exchange, on SEAQ International in London.

● A public offering of 1.5m shares of Morrison-Knudsen has been priced at $47 a share, according to Goldman Sachs, which is lead-managing the transaction. Some 300,000 shares will be offered internationally.

Brazil issues details of first sell-off after year's delay

By Christina Lamb in Rio de Janeiro

BRAZIL announced yesterday the date and details of its first privatisation issue after a year's delay.

The first sell-off will be Usiminas, Brazil's largest steel mill, which includes Usimec, a loss-making capital goods company recently incorporated into Usiminas.

According to the prospectus, the minimum price has been set at $1.6bn for 87 per cent of the group's equity, 13 per cent of which is held by a Nippon Steel-led consortium.

The sale will take place in four stages commencing next month when shares will be offered to the company's 14,000 employees.

This will be followed on September 24 by the main auction of ordinary shares to be sold in minimum lots of $1,000.

Bids can be made using cruzeiros or through four types of funds - using blocked cruzados seized in a national assets squeeze last year, privatisation certificates which financial institutions were forced to buy last year, domestic debt at face value and external debt at 75 per cent of face value. Foreign investors can buy up to 40 per cent of voting shares.

Shares will be offered to the public between October 7 and 18 and preferential shares will be auctioned on October 28. The sale will be concluded on November 6.

There is considerable foreign interest in the sale, with several big funds created, including a one led by the International Financial Corporation. Last year Usiminas was the only Brazilian steel company to make a profit, though at $5.3m this was 90 per cent down on the previous year.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on May 29

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102	102¼		7.60
ALBERTA PROVINCE 9 3/8 95	600	104	104¼		8.23
AUSTRIA 8 1/2 00	400	99¼	99¾		8.63
BANK OF TOKYO 8 3/8 96	100	99¾	99⅞	+⅛	8.53
BELGIUM 9 1/8 92	400	102⅛	102⅝	-⅛	7.30
BFCE 7 3/4 97	150	98⅛	99¼	+⅛	8.02
BNP 8 5/8 94	300	102⅛	102½		7.83
BP CAPITAL 9 5/8 93	150	103½	104⅛	+⅛	7.22
CANADA 9 96	1000	103⅞	104⅛	+⅛	7.97
CARCO 9 1/4 96	650	99⅝	99⅞	-⅛	9.39
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	92¾	93¾		9.77
KREDIETCORP 7 93 LFr	1000	94⅛	95⅛		9.89
WORLD BANK 8 96 LFr	1000	96	97		9.04
AMRO BANK 6 1/4 92 Fl	150	96⅛	96⅞		9.75
RABOBANK 5 3/4 93 Fl	150	94⅛	95⅛		9.26
ALBERTA PROVINCE 10 92 C$	500	100⅛	100⅝	+⅛	9.58
BCE INC 9 5/8 93 C$	300	99⅛	99⅞		10.05
BELL CANADA 10 5/8 99 C$	150	99⅛	100⅛	-⅛	10.66
BRITISH COLUMBIA 9 1/4 93 C$	150	99⅛	99⅞		9.76
EIB 10 1/8 98 C$	130	99⅝	100⅝	-⅛	10.19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible: remaining U.S. dollar straights, Deutsche Mark straights, Swiss franc straights, Yen straights, other straights, floating rate notes and convertible bonds]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. [illegible] CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

HBC seeks Dr21.2bn with listing in Athens

By Kerin Hope in Athens

HELLENIC Bottling Company (HBC), the Cypriot-owned company which holds the Coca-Cola franchise for Greece, Ireland and Nigeria, is to seek Dr21.2bn ($114.6m) in new capital through a listing on the Athens Stock Exchange.

The flotation, the largest ever in Greece, includes a Dr5bn tranche being offered to institutional investors abroad, following recent changes in Greek legislation on share acquisitions by foreigners.

HBC is owned by Leventis Ioannou, two Greek Cypriot families whose interests also include Middle East construction. It is offering 25 per cent of its equity.

Stripping out shares set aside for employees and company associates, a total of 4.91m shares will be available at Dr4,500 a share.

The funds raised will be used to write down short-term bank debt now that interest rates are over 30 per cent, to expand and modernise plant and finance new investment, probably in eastern Europe.

HBC controls over two-thirds of the soft drinks market in Greece and about 50 per cent of the growing fruit juice market. It has been expanding production and distribution facilities through acquisitions in the Greek provinces, including the purchase last year of Velk in Corfu, a regional bottler for PepsiCo.

Corfu and the other islands where HBC bought plants, Crete and Rhodes, are important soft drinks markets: together they attract more than 6m tourists yearly.

Last year, HBC sales improved by 19 per cent to Dr52.2bn, while net profits rose by 11 per cent to Dr6bn.

On the basis of first-quarter results, sales are forecast to increase by 27 per cent in 1991 and net profits by more than 50 per cent.

● Savola, the big Saudi Arabian group with an 85 per cent share of the domestic edible oil market, is to make a public share issue worth SR360m ($96m) in July, Reuter reports. The share issue is aimed at increasing paid-up capital to SR300m ($80m) from SR120m.

EJV's trading systems prove something to shout about

Patrick Harverson looks at the role of the partners who supply voice-activated computer technology to trade securities

ALTHOUGH barely a year old, EJV Partners has already made a big splash in the US fixed income market.

A multi-million dollar collaboration between six of Wall Street's most powerful companies – First Boston, Goldman Sachs, Morgan Stanley, Salomon Brothers, Shearson Lehman, and Citibank – EJV yesterday launched an electronic brokerage service for the short-term Treasury market.

Early next year, EJV's second venture – an attempt to capture a slice of the $1.5bn-a-year business of supplying bond market information to the investing and dealing community – will also be in the news when its computerised package of bond prices and analytical research reaches customers.

For the moment, however, all eyes will be on EJV's trading system. The system – which allows dealers to buy and sell securities electronically using the latest voice-activated computer technology – attracted a lot of attention long before it made its debut yesterday.

Last year, the half-dozen inter-dealer broking firms who act as intermediaries between primary dealers of government securities slashed their commission rates in an attempt to negate the impact of EJV's arrival on the scene. Expecting EJV's electronic broking service to be cheaper and quicker, the inter-dealer brokers cut the charge for executing a trade of $1m worth of short-term securities from about $20 a trade to between $12 and $15.

The inter-dealer broker's fears that EJV would undercut their business have proven well founded. When the trading system was unveiled before journalists in New York on Tuesday, Mr Richard MacWilliams, president of EJV Brokerage, said their commission rates would range between 20 per cent and 80 per cent below the rates currently charged by inter-dealer brokers.

Of the 40 primary dealers in government paper, as many as 38 have already signed up for the system. Although trading is initially being restricted to Treasury bills and notes with a maturity of less than three years, EJV plans to extend its coverage to all maturities once its service has been established.

With the vast bulk of the dealing community on board, if the electronic system proves a success with traders EJV could win a substantial slice of business from the traditional inter-dealer brokers.

However, the competing brokers are unlikely to be put out of operation by EJV. Most primary dealers still favour a multi-broker market (to keep prices down), and certain complex orders for Treasury trades require careful negotiating skills that an electronic facility cannot possibly provide.

Like the trading system, EJV's price and analytics service will enter a crowded and competitive market. Although vendors such as Reuters, Telerate and Knight-Ridder sell bond market data, EJV's chief rival will be Bloomberg Financial Markets, the information provider (30 per cent owned by Merrill Lynch) which has prospered from selling prices and analytical research to dealers and investors.

Where EJV thinks it will have an edge over Bloomberg is in the depth and quality of its prices and analytics, which it will get direct from the six owners. Doubts have been cast over EJV's ability to deliver better analytics. There have been reports of disagreements within EJV over how much the six partners want to reveal of their bond analytical models, either to each other or to future customers.

Mr Gerald Mintz, senior sales and marketing executive at EJV, says there is no foundation in stories that some partners do not want to share their analytics. Whether there is a split or not, the issue of how much information each partner will contribute to EJV is crucial to its ultimate success. If EJV can offer to institutional investors access to the price data, analytical models, and underlying mathematics used by the six houses, and at an affordable price, it could prove a winning product.

However, EJV's Mr Mintz admits that users will not be able to get their hands on all the analytical programs used by the six. "It is not our objective to get everything proprietary that our partners do. Our aim is to provide a better quality of data, analytics and research than is available today."

Mr Mintz expects EJV's owners to offer their best analytical models to their institutional clients via the network, which he says will work like a telephone system. "Everyone will not get the same thing."

Mr Andrew Hall, director of mortgage research at Fidelity, the biggest mutual fund group in the US, says there is a "very real need" for the kind of service EJV is offering. He believes it could prosper if EJV offers prices, research, and the underlying calculations, on a system that allows investment managers to swap the numbers around to achieve the best understanding of the information on offer.

Ms Joellen Comerford, a consultant on information technology with Andersen Consulting in New York, expects that the prices EJV will run on its system to be a big selling point. Because they will come from the six houses, all primary dealers in government bonds, "the prices on an EJV terminal will be as close to the market as you'll get," she says.

Although she believes Bloomberg has the early advantage on analytics, "theoretically, EJV could dwarf the skills of an outfit like Bloomberg". Comerford expects the six owners to provide EJV with superior combined analytics. "Whether they can pull it off as a working unit remains to be seen."

Not everyone is convinced EJV has a viable product. Mr Robert Auwaerter, vice-president of fixed income portfolio management at Vanguard, a big US institutional investor, is one of the doubters. He says: "They will have a difficult time competing with Bloomberg.

The dealers used to have an advantage over us on the more esoteric instruments, but now investors are on an equal footing because of the analytical programs from Bloomberg."

The market for information is already crowded, says Mr Auwaerter. "I have more than enough terminals on my desk at the moment."

However, it is this overcrowding that attracts MS Patricia Zlotin, an investment manager with Massachussetts Financial Services in Boston, to EJV. At the moment she relies on a variety of vendors for all her needs. EJV is promising to put everything into one package, something she regards as a "very exciting prospect".

If EJV does deliver – it will test its system this summer and hopes to have 2,000 to 3,000 of its UNIX terminals on customers' desks by spring 1992 – Bloomberg will be the standard by which its product is measured. Unlike other information vendors, such as Telerate, and Reuters, Bloomberg has been successful in providing an electronic link between the bond dealing community and the bond buying community.

Bloomberg's ability to supply institutions with data and analytical tools has undermined the lucrative link between the securities houses and the institutional buyers, who used to rely almost exclusively on the securities houses for their price information and analysis.

If EJV can meet the high expectations of investment managers like Patricia Zlotin and Andrew Hall, then it will have gone some way to restoring that link.

Frenetic activity centres on sterling sector

By Simon London

A DAY of frenetic new issue activity on the international bond market centred on the sterling sector. The largest issue of the day came from Severn Trent, the UK water company which was privatised last year, which launched a £150m issue to finance the recent acquisition of the Biffa group of companies.

Earlier bond issues by UK water companies had been made to finance capital expenditure in the water business and carried the guarantee of the core utility company. The Biffa acquisition takes Severn Trent outside it's core business as yesterday's issue by the holding company does not carry a guarantee. However, Severn Trent cannot dispose of the core water business without defaulting on the bonds.

The eight-year issue carries a 11.5 per cent coupon and was re-offered to investors at a fixed price of 99.05, where the paper yields 92 basis points over the 10.5 per cent UK government bond maturing 1999.

Lead manager Baring Brothers commented that the absence of a guarantee had added between 10 and 15 basis points to the yield spread.

Burmah Castrol, the UK lubricants and chemicals group, launched a £56m con-

INTERNATIONAL BONDS

vertible capital bond issue lead managed by J.Henry Schroder Wagg. Like the £500m convertible issue by Hanson last month, the deal was handled as a bought deal by the lead manager and three co-managers – in this case, Barclays de Zoete Wedd, Credit Suisse First Boston and Cazenove.

The terms of the issue are comparable with other convertible capital bond issues by UK companies, with the paper offering a 9¼ per cent coupon and conversion into ordinary shares at a 11.9 per cent premium to the share price when the deal was launched.

Burmah shares offer a yield of around 5 per cent, and the deal will increase the company's share capital by 5 per cent, the maximum allowed before shareholders must be offered claw-back under rules laid down by UK institutional investors.

Bayerishe Hypotheken Bank, the German savings institution, made a debut in the sterling sector with a £100m five-year issue lead managed by Lehman Brothers. The bonds carry a coupon of 11⅛ per cent and were priced to yield 65 basis points over the comparable gilt.

Participants said that the pricing was tight for a financial institutien rated Aa1/AA- by Moody's Investors Service and Standard & Poor's, the US credit rating agencies. However, demand among continental European retail investors was seen supporting the deal.

In the Eurodollar sector, Compagnie Bancaire launched a $200m two-year issue, lead managed by UBS Phillips & Drew. The issue was prompted by the good reception of a similar deal launched last week by the Council of Europe.

Both deals drew strong demand from Far Eastern investors hoping for an appreciation of the dollar on the foreign exchange markets.

Ford added a further $200m to its outstanding $200m 9⅛ per cent five-year deal launched in March. Lead managed by Warburg Securities, the fungible tranche was priced to yield 122 basis points over US Treasuries. In addition to retail demand, the issue drew stronger than usual interest from institutional investors looking to buy higher-yielding assets than offered by recent sovereign-backed issues.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Ford Capital BV(b)†	200	9⅛	101.66	1996	1⅞/¼	SG Warburg Secs.
Compagnie Bancaire(a)†	200	7⅜	100.90	1993	1⅛/1.025	UBS Phillips & Drew
Nankai Electric R'way(a)♦	150	4	100	1995	2¼/1½	Nomura Int.
Daewoo Telecom(c)§	50	(3½-4)	100	2006	2½/1½	BZW
PT Indocement Tunggal(d)§†	75	6¾	100	2001	2½/1½	Goldman Sachs
STERLING						
Severn Trent(a)†	150	11½	100.55	1999	1⅞/1½	Baring Bros.
Bay'ishe.Hypo.& Wechsel Bk(a)†	100	11⅛	101.20	1996	1⅞/¼	Lehman Bros.
Burmah Castrol Cap.Jersey(h)§†	56	9½	100	2006	2½/1½	J Henry Schroder Wagg
ECUs						
Banesto Insurances(e)§	60	9½	100	1996	2½/1½	Merrill Lynch
CANADIAN DOLLARS						
Comm.Urbaine d'Quebec(a)†	37	10⅝	102	1996	1⅞/1¼	BIL
NEW ZEALAND DOLLARS						
Tele.Corp NZ(O'seas.Fin.)(a)†	75	10	100	1996	2/1¼	Fay Richwhite UK
FINNISH MARKKA						
ABB Finance Inc.(a)†	300	11	101.725	1996	1⅞/1¼	Goldman Sachs
D-MARKS						
Yokkaichi Warehouse(a)♦	120	4	100	1995	2¼/1½	Nomura Europe GmbH
Okabe Co.(a)♦	40	4	100	1995	2¼/1½	Daiwa Europe GmbH
SWISS FRANCS						
Nakai Co(f)★★♦	60	2¾	100	1996	-	Nomura Bk (Switz)
Emplas(a)★★†	30	7¼	100	1996	-	UBS
Nihon Koimar(a)★★†	10	7¼	100	1996	-	Banca d'Gottardo
Kakuda Pearl(a)★★†	10	7¼	100	1996	-	Dai-Ichi Kangyo Bk (Switz)
YEN						
SAS(g)‡†	10bn	(g)	99.975	1996	15/10bp	Norinchukin Int.

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing $200m deal. Non-callable. c) Callable from 1/1/94 at 104% declining 1% per annum to par. Puttable on 18/6/96 to yield (7½%-8%). d) Amount was indicated at $100m. Coupon was indicated at (6¾%-7%). Conversion premium fixed at 12.5%. Callable at par at any time after 3 years. e) Mandatory convertible issue. Conversion premium fixed at 7%. Non-callable. f) Callable 18/6/94 at 102% declining ½% semi-annually to 100½%. Coupon payable semi-annually. g) Coupon pays 6-month Libor + 35bp. Non-callable. h) Conversion premium fixed at 11.9%. Coupon payable semi-annually. Callable from 20/6/96 at par to 19/6/99 subject to 130%. rule.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wednesday May 29 1991: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue May 28: Index No.	Fri May 24: Index No.	Thu May 23: Index No.	Year ago (approx): Index No.
1 CAPITAL GOODS (186)	818.94	+0.3	11.36	5.94	10.80	15.76	816.82	818.93	826.64	891.84
2 Building Materials (24)	1046.34	-0.4	11.00	5.93	11.18	22.01	1050.42	1057.67	1074.76	1117.67
3 Contracting, Construction (31)	1274.92	-0.4	9.36	6.32	14.00	30.61	1279.99	1288.75	1305.86	1372.64
4 Electricals (10)	2350.38	+0.2	11.19	5.69	11.38	61.85	2346.63	2349.63	2355.93	2532.36
5 Electronics (25)	1754.81	+0.7	8.90	5.11	14.95	7.81	1743.45	1742.80	1761.96	1880.93
6 Engineering-Aerospace (8)	420.55	.....	16.60	5.96	7.25	10.60	420.60	422.83	427.54	481.22
7 Engineering-General (47)	438.07	+0.3	12.78	6.00	9.46	8.43	436.84	437.27	438.50	487.09
8 Metals and Metal Forming (8)	443.70	+0.4	20.13	7.78	6.12	2.31	441.86	443.38	445.76	494.17
9 Motors (13)	323.25	+0.6	12.50	7.52	9.45	9.89	321.45	323.03	326.19	358.82
10 Other Industrial Materials (20)	1487.22	+0.8	9.50	5.47	12.39	31.84	1475.82	1473.96	1483.65	1634.81
21 CONSUMER GROUP (188)	1464.18	+0.4	8.13	3.70	15.16	18.58	1459.06	1452.72	1454.63	1289.10
22 Brewers and Distillers (22)	1817.32	+0.7	8.38	3.65	14.68	21.60	1804.52	1801.83	1805.29	1541.47
25 Food Manufacturing (20)	1165.58	+1.0	9.87	4.22	12.48	18.39	1153.89	1151.14	1158.72	1087.96
26 Food Retailing (16)	2756.98	+0.5	7.92	3.04	16.49	30.32	2742.06	2727.66	2750.42	2521.73
27 Health and Household (21)	3427.42	+0.6	5.60	2.51	20.40	29.05	3406.66	3351.90	3319.30	2575.33
29 Hotels and Leisure (23)	1291.12	-0.2	10.52	5.30	11.21	23.57	1294.25	1293.78	1298.60	1446.56
30 Media (26)	1432.37	-1.1	9.42	4.87	13.52	22.11	1448.86	1451.89	1456.10	0.00
31 Packaging, Paper & Printing (17)	665.19	-0.3	7.97	4.94	15.71	11.81	667.04	670.27	669.07	590.36
34 Stores (33)	895.16	.....	8.88	4.08	14.72	12.50	895.04	897.49	904.73	814.00
35 Textiles (10)	524.75	+0.1	10.51	5.96	11.75	9.55	524.31	530.06	532.40	495.41
40 OTHER GROUPS (107)	1227.71	+0.4	9.96	5.14	12.35	11.16	1223.23	1223.79	1232.98	1176.70
41 Business Services (12)	1219.79	-0.1	10.87	5.34	11.30	13.23	1220.88	1223.20	1229.11	0.00
42 Chemicals (21)	1354.77	+0.6	8.43	5.30	13.48	28.71	1346.63	1341.20	1353.85	1279.10
43 Conglomerates (10)	1463.42	+0.3	10.41	7.09	11.59	17.49	1459.49	1457.52	1460.64	1670.65
44 Transport (13)	2192.20	+0.1	11.15	4.74	11.07	26.91	2190.44	2198.80	2201.87	2259.58
45 Electricity (14)	1232.93	.....	11.24	5.41	11.14	0.00	1232.64	1233.51	1239.71	0.00
46 Telephone Networks(4)	1483.94	+0.8	10.28	4.05	12.69	0.00	1471.54	1471.43	1489.71	1184.69
47 Water(10)	2453.81	+0.3	13.94	5.59	8.02	39.69	2445.58	2453.77	2471.80	1948.44
48 Miscellaneous (23)	1856.34	-0.1	6.26	5.03	20.50	22.21	1859.09	1865.79	1880.06	1791.82
49 INDUSTRIAL GROUP (481)	1232.37	+0.3	9.35	4.60	13.16	15.77	1228.22	1226.44	1232.47	1168.38
51 Oil & Gas (19)	2337.57	+0.6	10.77	5.70	12.09	50.59	2323.80	2321.55	2339.57	2331.05
59 500 SHARE INDEX (500)	1326.93	+0.4	9.53	4.74	13.01	18.51	1322.03	1320.20	1327.16	1265.73
61 FINANCIAL GROUP (97)	801.41	+0.5	–	5.94	–	18.07	797.27	793.11	795.65	803.95
62 Banks (9)	909.65	+1.0	7.58	6.09	19.12	22.63	900.74	892.62	892.84	855.03
65 Insurance (Life) (7)	1454.50	+0.6	–	5.69	–	41.64	1446.25	1445.55	1445.75	1390.11
66 Insurance (Composite) (6)	669.61	+0.5	–	6.55	–	20.23	666.13	660.01	666.25	684.11
67 Insurance (Brokers) (8)	1076.01	+0.9	7.33	6.25	17.76	21.24	1066.22	1063.44	1070.01	1092.17
68 Merchant Banks (7)	422.16	.....	–	4.90	–	4.47	421.92	422.05	422.39	441.78
69 Property (40)	951.97	-0.8	6.58	5.08	20.78	7.90	959.51	960.50	966.29	1100.69
70 Other Financial (20)	283.96	+0.6	9.25	6.39	13.44	4.75	282.36	282.96	284.23	311.11
71 Investment Trusts (70)	1204.09	+0.3	–	3.48	–	15.60	1200.70	1204.41	1212.17	1206.16
99 ALL-SHARE INDEX (667)	1199.48	+0.4	–	4.87	–	18.11	1194.85	1192.72	1198.71	1154.29

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 28	May 24	May 23	May 22	May 21	Year ago
FT-SE 100 SHARE INDEX‡	2492.9	+13.2	2493.5	2483.0	2479.7	2471.1	2482.8	2465.9	2482.7	2346.2

FIXED INTEREST

PRICE INDICES	Wed May 29	Day's change %	Tue May 28	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (29)	121.67	-0.04	121.72	2.36	4.29
2 5-15 years (28)	130.85	....	130.84	2.66	5.15
3 Over 15 years (9)	157.13	-0.04	157.18	2.27	5.02
4 Irredeemables (6)	149.62	+0.05	149.54	1.14	6.11
5 All stocks (72)	130.13	-0.00	130.15	2.54	4.92
Index-Linked					
6 Up to 5 years (1)	159.42	-0.02	159.46	0.13	2.72
7 Over 5 years (10)	147.63	+0.09	147.69	1.02	1.52
8 All stocks (11)	148.72	+0.09	148.59	1.00	1.56
9 Debs & Loans (56)	109.61	+0.03	109.57	2.19	4.30

AVERAGE GROSS REDEMPTION YIELDS		Wed May 29	Tue May 28	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.20	9.16	11.33
2	15 years	9.79	9.78	10.98
3	20 years	9.94	9.94	10.91
4 Medium Coupons	5 years	10.33	10.32	12.51
5	15 years	10.23	10.22	11.47
6	20 years	10.15	10.15	11.23
7 High Coupons	5 years	10.50	10.49	12.41
8	15 years	10.40	10.39	11.74
9	20 years	10.29	10.28	11.52
10 Irredeemables		10.20	10.20	10.82
Index-Linked				
11 Inflation rate 5%	Up to 5 yrs.	4.07	4.05	5.32
12 Inflation rate 5%	Over 5 yrs.	4.19	4.20	4.20
13 Inflation rate 10%	Up to 5 yrs.	3.17	3.15	4.26
14 Inflation rate 10%	Over 5 yrs.	4.00	4.01	4.02
15 Debs & Loans	5 years	11.88	11.88	14.65
16	15 years	11.65	11.65	13.71
17	25 years	11.45	11.45	13.02

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	15	40	29
Corporations, Dominion and Foreign Bonds	2	4	14
Industrials	254	276	999
Financial and Properties	121	86	529
Oils	17	25	51
Plantations	0	2	8
Mines	49	30	83
Others	36	36	99
Totals	494	499	1,812

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings May 28
● Last Dealings June 7
● Last Declarations August 29
● For settlement Sept. 9

For rate indications see end of London Share Service

Calls in Brent Walker, Monument Oil & Gas, Oliver Res., Premier Cons., Queens Moat Houses and Tace. Puts in Speyhawk and Stakis.

LONDON TRADED OPTIONS

[illegible]

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Sainsbury (*373)	360	27	39	47	7	11	15
	390	9½	21	29	21	25	28
Shell Trans. (*507)	500	28	40	50	13	23	27
	550	7	16	28	46	50	53
Storehouse (*101)	100	7	10	14	6	9	10½
	110	2½	6½	8	14	16	17
Trafalgar (*233)	220	22	32	36	6½	10	16
	240	10	21	24	15	21	27
Utd. Biscuits (*366)	360	20	31	39	9½	16	19
	390	7½	16	24	27	33	35

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Abbey Nat. (*285)	260	27	34	42	2	5½	7½
	280	11	21	28	5½	11	14
Amstrad (*64)	60	6½	10	12	2	4½	6
	70	2	6	7½	7½	9½	11
Barclays (*444)	420	33	43	55	5	15	25
	460	7½	22	35	25	34	40
Blue Circle (*239)	220	23	32	-	2½	7½	-
	240	8½	19	26	8½	16	20

PUTS								
May	½	1	2½	19	65	115	165	215
Jun	9	14	26	47	78	118	167	215
Jul	19	28	42	62	88	127	170	218
Aug	26	36	52	70	100	133	172	218
Dec †	–	67	–	108	–	160	–	230

May 29 Total Contracts 34,469
Calls 23,203 Puts 11,266
FT-SE Index Calls 3,189 Puts 4,271
Euro FT-SE Calls 123 Puts 755
*Underlying security price. † Long dated expiry months.
Premiums shown are based on offer prices.

Prudential's leadership takes a battering at the annual meeting

Shareholders criticise pay award

By Richard Lapper

THE LEADERSHIP of Prudential Corporation, the UK's biggest institutional investor, came in for a heavy pounding yesterday at the group's annual meeting.

Angry shareholders criticised the decision to award Mr Mick Newmarch, the chief executive, a "staggering" 43 per cent pay increase in a year when the company recorded a loss of £340m on its ill-fated estate agency business and saw profits plunge by 37 per cent to £243.8m.

Mr Newmarch, received £543,673 last year, up from £379,651 in 1989, an amount roughly double that received by his counterparts who head other UK insurers.

In addition he benefited from a generous share option scheme and enjoyed the benefits of a £772,500 home jointly owned with the Prudential.

Sir Brian Corby, chairman, defended the salary which he said had been agreed with Mr Newmarch before his appointment early last year. "It is not in the interests of the our company that we underpay our executives," he said.

Nevertheless, a suggestion by one shareholder, Mr Alan Diamond, that Mr Newmarch "should show the good grace to waive his entitlement to the bonus element of his salary" received warm applause from an audience of roughly 400.

Sir Brian, who as chairman of the CBI had called for wage restraint, ought to be embarrassed to defend Mr Newmarch's pay rise, said another shareholder. "It does seem as though you've been arguing against this in other places," he added. After a stormy 90 minute meeting, Mr Newmarch said he understood the "sentiments expressed" and was "not embarrassed."

On yesterday's evidence, though, Prudential's smaller shareholders and employees remain fearful about the broader consequences of the more aggressive and commercial style adopted in recent years by the traditionally cautious Pru.

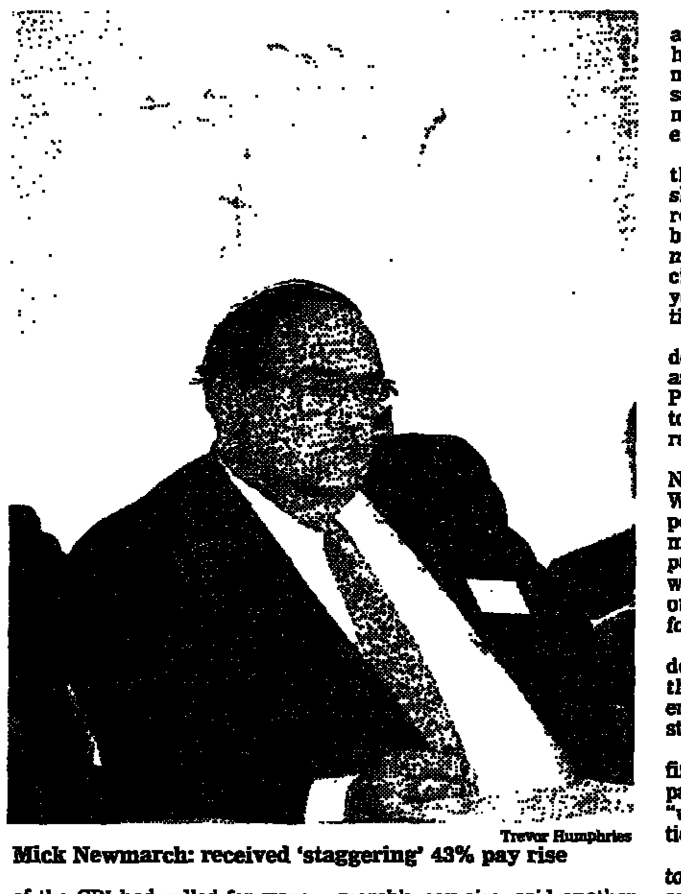
"Nothing the company has done recently can be described as prudent," said one former Prudential employee. "It seems to have changed so rapidly in recent years," he lamented.

Mr Dave Williams, of the National Union of Insurance Workers, which represents 93 per cent of Prudential salesmen, said that the "appalling publicity" suffered by the Pru was having a devastating effect on the morale of the sales force.

Mr Leslie Brown, a former deputy chairman, asked why the board lost interest in encouraging the morale of the staff.

He viewed the withdrawal of financial support for the company's sports and social clubs "with surprise and consternation."

"I've never known the staff to be so unhappy, demoralised and bewildered," another retired manager told the meeting.



Trevor Humphries

Mick Newmarch: received 'staggering' 43% pay rise

Hunter Saphir drops 13% to £5.58m

By Maggie Urry

HUNTER SAPHIR, the herbs and spices, food manufacturing and produce group, yesterday reported a near 13 per cent drop in pre-tax profits from £5.58m to £4.87m in the year ended February 1991

Mr Nicholas Saphir, chairman, said it had been a year of restructuring. He

warned that the benefits from this would not show through to profits in the current year, but he was optimistic about the outlook further ahead.

During the year the group acquired Euroma, a Dutch herbs and spice company which contributed about £400,000 after financing costs in its 11 months in the group; this did not, however, offset a £1.2m fall in profits from the distribution business which was sold for £18m.

The balance sheet has been refinanced since the year end. Borrowings reached a peak of £38m during the year after the Euroma acquisition and at the seasonal peak for debt.

Following a £14.2m convertible preference share issue in March, net debt has been reduced to £10.8m, 65 per cent of shareholders' funds.

Turnover rose 27 per cent to £175.02m and operating profits were £8.84m (£8.05m). An exceptional credit of £2.11m (£1.54m) related to the final insurance payment following a fire at the British Pepper and Spice factory two years ago.

This has now been rebuilt and expanded. Profits also included an undisclosed amount from insurance to cover loss of profits. This will run out in June.

The food manufacturing division was hit by a problem on the Christmas pudding side which cost about £1m. Mr Saphir said this had now been corrected and no business had been lost.

The interest charge rose sharply to £3.97m (£2.47m) but Mr Saphir said this would fall again in the current year. The tax rate of 24.3 per cent (23.5 per cent) had been kept low by the exceptional credit and was likely to rise to about 32 per cent in the current year.

Earnings per share fell 14 per cent to 11.93p on a fully diluted basis, although not taking the preference share issue into account.

The final dividend is held at 3.7p to give an unchanged total of 5.05p.

Berisford International, the commodity and property group, has 20 per cent of the ordinary shares and cannot increase its stake above 25 per cent before 2007.

It also holds some of the convertible and if all of the issue was converted into ordinary shares it would have 18 per cent of the enlarged capital.

Receivers called in at FSM subsidiaries

By Jane Fuller

RECEIVERS have been appointed at the main operating subsidiaries of Ford Sellar Morris, the property group which had built up debts of £132m by last October, and the parent company is set to go into administration today.

Receivers from KPMG Peat Marwick McLintock have been appointed to the operating subsidiaries, where several banks have an interest. Administration, rather than liquidation, was chosen for the assetless parent company to give it a chance of life.

FSM's shares, quoted on the USM, have been suspended at 24p – with a market value of £10.1m – since March 22. Earlier that month Mr Irvine Sellar relinquished the chairmanship to Mr Ronnie Aitken, a "company doctor" and formerly the group's deputy chairman. Mr Sellar remained as chief executive.

However, efforts to reschedule the group's debts proved unsuccessful.

KPMG said the plan was to run the business until the property market picked up. Although the book value of the property portfolio was about £150m, it could be worth rather less in the current flooded market.

FSM ran into trouble after the 1989 acquisition of Brookmount for £84m. The combined group's initial gearing was 200 per cent. Even after disposals, borrowings stood at £113m in April 1990 and had risen to £132m by October 31.

In those six months, interim pre-tax profit fell from £12m to £5m after delays in completing developments.

BAe offers help to Cray in SD-Scicon bid

By Alan Cane

British Aerospace, which holds 25 per cent of SD-Scicon, the computing services company currently defending a hostile bid from Cray Electronics, has agreed to indemnify Cray against the costs of the bid in the event of a successful competitive offer. It will pay Cray £500,000 if SD-Scicon is sold to a third party.

Last week, Cray, a small electronics company specialising in software, telecommunications and instrumentation, made what it claimed was a final all-share offer valuing SD-Scicon at 41.8p per share. An alternative cash offer is worth just over 37p per share.

On that basis, BAe, which bought into SD-Scicon at just over 99p, stands to make a substantial loss. It has committed itself irrevocably to supporting the Cray offer unless a third party makes a better cash offer. The offer document, says that "BAe shall be entitled to withdraw its acceptances . . . and has agreed to pay Cray £500,000 in such an event.

Morgan Grenfell, underwriter to the issue, said that the costs of mounting the bid were considerable for a small company like Cray.

Cray had approached BAe for its support when preparing its bid and it had seemed reasonable that Cray should have help with its expenses in return for helping BAe to sell its shares in SD-Scicon.

Surge in finance costs behind decline to £67.4m at MEPC

MEPC, the property investment and development company, yesterday announced a near-13 per cent fall in pre-tax profits from £77.4m to £67.4m for the six months to March 31.

The downturn reflected an increase in finance costs from £40.8m to £57.5m and reduced trading profits of £3.2m (£13m). The finance costs do not include the capitalised interest for properties in the course of development amounting to £19.4m (£20.5m).

Group rental income rose by 16 per cent to £149.1m. The portfolio benefited from the letting of developments completed over the past year, although the rate of growth in rental increases in the portfolio has slowed.

The company said that its overseas development activity would continue to be selective, with minor retail expansion in the US and the slower investment of cash balances in Australia.

It would reassess the potential growth of existing properties in Europe before looking for longer term opportunities, it said.

Earnings per share fell to 14.2p (16.5p). The interim dividend is held at 5.25p.

LMS buys Westpool for £131m

By Philip Coggan

LONDON Merchant Securities, the property and investment group, is acquiring its holding company, Westpool Investment Trust, in a complex deal worth £131m.

Westpool is not an authorised investment trust. By far its largest asset is its 50.9 per cent stake in LMS.

Given that shares in LMS are standing at a discount to net asset value, and that shares in Westpool were standing at a discount to its own asset value, Westpool shareholders were suffering from a double discount.

The offer will remove this disadvantage from Westpool shareholders and simplify the group structure, with the aim of increasing the appeal of LMS to investors.

For every 100 Westpool shares, LMS is offering 117 ordinary shares, 38 deferred shares and £19.89 in cash. On the basis of last night's closing price, the bid values each Westpool share at 130.7p, compared with last night's close of 127p, up 20p on the day.

If the bid is accepted, which seems likely as Lord Rayne's family interests own 67 per cent of Westpool, the existing Westpool holding in LMS will be cancelled.

Both companies also announced their results yesterday. LMS revealed a 9.7 per cent increase in pre-tax profits to £28.87m (£26.31m) and fully diluted earnings per share up 11.8 per cent to 5.5p (4.92p) for the year to March 31.

However, the company's properties, which are largely offices in Central London, were devalued by 12 per cent and the company wrote off its £10.6m investment in British Sky Broadcasting. Shareholders funds per share fell to 109p (119p). The final dividend is increased to 2.8p (2.6p), making a total of 3.6p (3.4p).

Westpool reported a pre-tax profit of £5.63m (£3.9m) for the year to March 31 and earnings per share of 4.98p (3.59p). There will be no final dividend.

NEWS DIGEST

3i appoints Barings as adviser

BARINGS, the merchant bank, has been appointed by 3i, the UK's largest venture capital company, as financial adviser for a future flotation.

Mr Ewen Macpherson, finance director of 3i confirmed that Barings had been appointed to give general financial advice, including a possible flotation, and would be replacing SG Warburg in that capacity.

He emphasised that 3i is still dealing with Warburg for capital market matters.

Mid Kent Holdings profits at £3.1m

Mid Kent Holdings, water company, announced pre-tax profits of £3.1m for the six months ended March 31.

The company has changed its year-end from September 30 and there are no comparable figures.

For the six months to March 31 1990 taxable profits were £2.86m.

Turnover amounted to £12.42m with operating profits at £2.33m.

Earnings per share worked through at 11.7p and a 4p dividend is proposed.

Cityvision takes Satellite TV stake

Cityvision, the UK video rental group, is getting involved with its biggest potential rival – satellite television.

Cityvision has a 51 per cent stake in a new company, Homevision Direct, which will be the national agent for direct selling of subscriptions for British Sky Broadcasting's two film channels. Homevision Direct will also sell satellite receiving equipment.

Scott Pickford more than doubled

Profits of Scott Pickford, a USM-quoted provider of technical and management services in the fields of geology and geophysics, more than doubled to £212,848 pre-tax for the year to March 31.

The improvement, up from last time's £100,190, was struck from turnover of £2.15m (£1.74m) and after taking account of a rise in exceptional provisions to £220,328 (£107,743). There was a £34,216 share of an associated company's profits.

The dividend for the year is lifted to 0.5p (0.425p) from earnings of 2.4p (0.76p).

East Surrey Water jumps to £3.9m

East Surrey Water more than doubled taxable profits, from £1.61m to £3.91m and is proposing a maiden final dividend of 5p for an 8p total. Earnings per share amounted to 26.6p.

Turnover for the 12 months to March 31 improved from £13.96m to £16.86m.

No recovery in sight at depressed Edbro

As foreshadowed in the group's interim statement, an "unprecedented slump" in the UK tipping truck market led to sharply reduced annual profits at Edbro, the Bolton-based hydraulics and truck bodies company.

The 86 per cent collapse in the 12 months to March 31 – from £3.6m to £500,000 – came on sales down 11 per cent to £29.4m (£32.9m).

Earnings per share dived from 28p to 5p and the final dividend is slashed to just 1p (8p) for a total of 2p (11p).

Chillington sharply lower at £905,000

The recession in the UK, lower commodity prices, adverse exchange rates and high levels of interest all combined to produce "disappointing" annual results at The Chillington Corporation.

The DIY, engineering and plantations company saw taxable profits plummet from £4.22m to £905,000 over 1990, on turnover of £55.25m (£70.44m).

The proposed final dividend is cut from 5p to 0.75p reducing the total for the year to 2.75p (8.25p).

Losses per share emerged at 1.2p (earnings of 8.5p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BAT Inds	int	10.8	Aug 19	10	-	31.1
Carlton Comms	int	6.1	Aug 28	5.508	-	14.1
Chillington	fin	0.75★	Aug 30	5	2.75	8.25
Dunedin W'wide	int	2.4	July 5	2.4	-	9
East Surrey	fin	5	July 19	-	8	-
Edbro	fin	1	-	8	2	11
Gates (Frank)	fin	2.75	July 16	2.75	2.75	2.75
Harcourt Group §	fin	nil	-	1.2	nil	1.8
Hunter Saphir	fin	3.7	Aug 20	3.7	5.05	5.05
London Merchant	fin	2.8	-	2.6	3.6	3.4
MEPC	int	5.25	July 16	5.25	-	19
Mid Kent	fin	4‡	July 15	4.5	4	10.5
NFC	int	1.3☆	Oct 7	1.1	-	5.65
Optical Medical	fin	3.46	Aug 7	3.46	5.21	5.21
Ritz Design	fin	3.2	July 13	2.67	4.8	4
Scott Pickford §	fin	0.5	Aug 30	0.425	0.5	0.425
Southnews §	fin	nil	-	3.2	0.8	4.8
Warburg (SG)	fin	11.5	July 1	10.5	16	15

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Second interim, making 2.5p to date. ★Carries scrip option. ‡For six months to March 31.

Recession cuts Warburg to £132m

By David Lascelles, Banking Editor

SG WARBURG Group, the London investment bank, saw annual profits fall by 30 per cent, though the outcome was not as bad as the City had feared.

The group was hurt by the slump last year in the securities markets and takeover activity, but said conditions had improved since then. It is merchant banking adviser to ICI, which is now being stalked by Hanson.

In the year to March 31, pre-tax profits amounted to £132.2m (£187.5m) although the figure was struck after an undisclosed transfer to inner reserves. Earnings per share were 40.4p, down from 57.3p.

Sir David Scholey, the chairman, said the result had been achieved in difficult economic, political and business conditions, including recession in the UK and the Gulf war.

It showed, however, that there were still profitable opportunities for a well-balanced, integrated group, he said.

The strongest performance came from Mercury Asset Management, the 75 per cent-owned fund management arm, where pre-tax profits were £56.4m, down 5 per cent on the previous £59.1m. MAM increased funds under management by 15 per cent to £37.3bn.

Profits from investment banking fell 38 per cent to £90.4m. Sir David said it was impractical to break out the contribution from the different parts of the group, but he commented that treasury and corporate finance had "more than pulled their weight".

The securities side had also done well in the circumstances, though the contribution from equities was still inadequate, partly because of continuing overcapacity in the UK market.

Business had improved since the winter, Sir David said, though it was currently maintaining rather than gathering momentum. Despite the downturn, Warburg was continuing to expand. Its head count rose by 170 to 5,100, of whom 2,000 were overseas. Growth had occurred in Japan where MAM had obtained a licence.

Return on equity was 18 per cent before tax last year. This was below the 20 per cent average for the last five years. Sir David said that a 25 per cent target was "not unreasonable".

After holding its interim dividend, Warburg is proposing a final of 11.5p, for a total of 16p (15p), covered some two and half times. MAM's total dividend is 25p, an increase of 11 per cent.

● Sir David took a 15 per cent salary cut last year because of the group's poorer performance.

He earned £531,000 in the previous 12 months, of which £185,000 was basic and £346,000 performance related. Sir David said all Warburg directors had taken a pay cut because so much of their remuneration was linked to the fortunes of the group.

Exact details of the pay cuts will be contained in the group's annual report published next Monday.

See Lex

Lydia van der Meer

Sir David Scholey: all the directors have taken a pay cut

Profits decline by 30% at Carlton Communications

By Raymond Snoddy

CARLTON Communications, the television services and production company, yesterday announced a near-30 per cent fall to £46.3m in pre-tax profits for the six months to end-March.

Mr Michael Green, chairman of Carlton, which has bid for two ITV licences including the London weekday franchise, blamed the fall from last time's £64.92m on the depth of the worldwide recession and "demanding trading conditions."

Turnover of £286.8m, including associates, compared with £405.23m including discontinued businesses.

Mr Green added: "I think it is a very creditable result."

Earnings per share fell to 15.13p (22.02p) but the company is stepping up the interim dividend by 10.7 per cent to 6.1p.

Mr Green said all operating divisions had positive cash flows and had generated £50.5m from trading during the six months. The group had net cash of £134.3m at the end of March – or £126m following payment of the 1990 final dividend.

Miss Bronwen Maddox, media analyst at stockbrokers Kleinwort Benson, said the results were slightly below City expectations. Kleinwort's would be down-grading its full year pre-tax forecast from £108m to £103m and next year's profits from £125m to £115m.

Carlton's television and film services division maintained profits – £13.6m compared with £13.5m – on turnover of £97.6m. Video cassette production suffered because of a lack of major releases and profits fell from £20.7m to £12.5m on turnover of £79.7m.

Mr Green believed that margins in video duplication had now stabilised and said there were signs of growth.

Video and sound products was badly hit by the recession and profits fell from £21m to £9.2m on turnover of £62.9m.

Carlton will not know until October whether it has won a television franchise but Mr Green said yesterday that he was confident that "our bids for these licences are at a level that would give shareholders a good return."

Mr Green reminded analysts yesterday that if Carlton were to be outbid, 1994, when franchises are subject to takeover, was not all that far away.

Following the results Carlton's shares rose 13p to 449p.

Thomas Robinson makes £26m electrical disposal

By Jane Fuller and Juliet Sychrava

THOMAS ROBINSON Group, the once-acquisitive engineering business where debt has soared to nearly £64m, is selling one of its most profitable divisions to East Midlands Electricity.

Mr Tony Lomas, a Robinson director, said the sale was worth £26m cash, of which £23m was the initial price – £4m more may follow – and the rest was assumption of debt. This would reduce debt to £37.9m and lift net assets from £70m to £82m, halving the 90 per cent gearing.

"This sale puts the business on a secure footing, but not a very exciting one," he said. The worst affected divisions last year, process engineering and wood engineering, were only just profitable.

The disposal involves the electrical contracting division and the WJ Furse equipment company, part of the industrial consumables division. They made a profit before tax and group management charges of £4.4m (£3.4m) in 1990 on turnover of £64m.

The contracting division was the second most profitable part of the group last year, when the pre-tax figure fell 59 per cent to £10.4m after £6.9m of interest costs. Turnover slipped to £303.1m (£307.8m).

Mr John Harris, chairman of East Midlands Electricity, said: "This will put us in the top ten electrical contracting businesses. We have been looking for a contracting business that would give us critical mass."

The acquisition would triple the operating profit of East Midlands' contracting division to more than £6m and lift turnover to more than £100m.

Turnover could rise above £200m within the next few years as East Midlands expanded the business into building design and maintenance, including planning and installing telecommunications and heating and cooling systems.

Royal Life sells its Irish arm to Scottish Provident

By Richard Lapper

ROYAL LIFE is to sell Royal Life Ireland, its free standing life insurance subsidiary, to Scottish Provident, the Scottish mutual insurer.

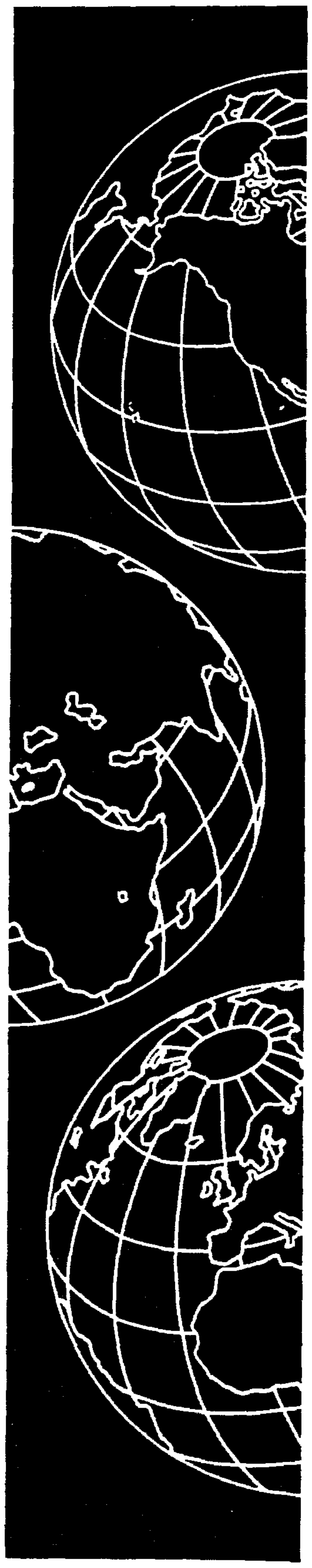
Royal Life Ireland specialises in sales of unit-linked life insurance via independent financial advisers.

Sales of annual and single premiums amounted to just under I£4m in 1990. Funds under management total I£30m (£27m). The deal is subject to the approval of the supervisory authorities.

Royal will retain its own branch network in Ireland but following a review of its European life operations aims to focus its resources on expanding business elsewhere, especially recently-established subsidiaries in the Netherlands and Spain.

Scottish Provident also has operations in Ireland where new premium income from sales of non-profits and with-profits policies amounted to about £15m in 1989.

According to Mr Ken Greig, publicity manager, the acquisition is part of a broader drive to develop European business. Within the last 18 months life insurance subsidiaries have been established in Spain – where Scottish Provident took over the local subsidiary of Equity & Law – and in Greece.



FINANCIAL TIMES

UK COMPANY NEWS

European deal as Queens Moat calls for £184m

By David Churchill, Leisure Industries Correspondent

QUEENS MOAT Houses, the pan-European hotel group, yesterday strengthened its continental base with an acquisition of 15 hotels for £45m accompanied by a £184m rights issue.

The move takes the company for the first time into Austria and eastern Europe and also means that a greater proportion of its hotel beds stock is now on the Continent rather than in the UK.

Queens Moat Houses shares closed 1½p down on the day at 86p.

Although a rights issue had been expected by the City, the structure of the deal came as a surprise. After seven rights issues over the past decade, Queens Moat this time decided against a straight rights issue and proposed one involving convertible shares.

The company is offering one new convertible preference share for every five ordinary shares and five new convertible preference shares for every 11 existing convertible preference shares.

The issue has been underwritten by Charterhouse Bank and the brokers to the issue are de Zoete & Bevan and Beeson Gregory.

The £184m raised, net of expenses, will fund the company's acquisitions and also reduce its gearing to about 42 per cent.

Mr Martin Marcus, Queens Moat's deputy chairman, said yesterday that the decision to invest in further continental hotels reflected the fact that "there has never been a better time to buy hotels."

He added that "deals being done now could not have been even dreamt about only two years ago." This suggests that other hotels will be added to Queens Moat's portfolio on the Continent as the opportunity arises.

Under the deal Queens Moat is buying a hotel group with five hotels in Austria and two in the western half of Germany, adding a total of 910 bedrooms. It will also acquire the franchise rights to a further five hotels: one in Austria, two in Yugoslavia, one in Czechoslovakia, and one in Hungary.

Queens Moat is also negotiating to buy two further hotels with a total of 280 bedrooms in western Germany and one hotel with 150 bedrooms in the UK.

After these deals are concluded, Queens Moat will have a total of 194 hotels, of which 89 will be based on the Continent and 105 in the UK. However, it will have a total of 11,700 bedrooms in its continental hotels with some 10,700 in its UK hotels.

In its last financial year to December 31 1990 Queens Moat increased pre-tax profits by 51 per cent to £94.1m at a time when other UK hotel groups operating primarily in the UK found the going tougher.

Saatchi warns of downturn

By Raymond Snoddy

SAATCHI & SAATCHI warned yesterday that operating margins were under great pressure and would continue to fall this year.

Mr Robert Louis-Dreyfus, chief executive of the troubled advertising and marketing group, told the company's annual meeting: "Even with a pick-up in the final quarter of 1991, of which there is as yet no evidence, operating margins in 1991 will be well below those achieved in 1990."

There was no sign of a recovery in the advertising business worldwide and the effects of recession and the short-term costs of cutting overheads meant that "operating margins are under great pressure."

In the final quarter of 1990 Saatchi incurred a pre-tax deficit of £5.2m compared with profits of £19.1m in the same period in 1989.

Ashley Ashwood

Robert Louis-Dreyfus: no sign of recovery in advertising

Mr Louis-Dreyfus told shareholders he believed it would be two or three years before the company might be in a position to pay dividends.

The annual meeting was held in the same London hotel where, at the end of March, shareholders approved an emergency financial restructuring package.

The package involved a £55m rights issue and preference shareholders swapping their stock for ordinary shares. Saatchi's shares, which peaked at 698p in 1987, were unchanged at 18½p yesterday.

The Saatchi chief said that by concentrating on the company's main strengths of advertising, public relations and media services, it should be well positioned to benefit from the upturn.

Mr Maurice Saatchi, chairman, re-dedicated the company to the principles of creativity that had built it in the first place and offered a new definition of great advertising.

"It means creative work that is so simple and direct that it strikes a chord in humans everywhere," he said.

The chord struck in some shareholders was more basic.

Mr Arnold Landau wanted to know why Maurice and Charles Saatchi were being paid "such a ridiculously large salary when the state of the company was so absolutely dreadful?"

Mr Maurice Saatchi, who now gets £310,000 a year compared with £600,000 two years ago, replied: "I am quite satisfied that in voluntarily taking a 50 per cent pay cut I have done the right thing."

Mr Clive Gibson of St James's Place Capital and Mr Edward Lampert, of ECL are to become non-executive directors.

NEWS DIGEST

Frank Gates bolstered by disposal

FRANK G Gates, the Ford main dealer, continued to suffer in the second six months and for the full 1990 year experienced a profits fall of 48 per cent to £1.09m at the trading level.

However, an exceptional credit of £1.37m arising from the disposal of the majority of the contract hire fleet to the Ford Motor Credit Company, help lift the pre-tax figure to £2.39m (£1.95m).

Turnover fell from £82.85m to £70.04m with new vehicle sales down by £10m. Mr Edward Gates, chairman, said sales here were continuing to decrease in the current year.

There were improved profits from used vehicle sales and contributions from other operations continued at a similar level to those of 1989.

Earnings emerged at 6.51p (5.34p) and the dividend is a same-again 2.75p.

Southnews £0.99m in the red

Southnews, the USM-quoted local newspaper group, swung from profits of £1.89m to losses of £987,000 pre-tax over the year to end-March.

The final dividend is omitted, leaving shareholders with just 0.8p for the year – they received a total of 4.8p previously.

Mr Gareth Clark, chairman, said that with all trading activities based in the south-east of England the group had had "front line exposure" to the depressed advertising economy.

Turnover fell to £16.44m (£19.07m). At the operating level profits dived from £2.06m to £234,000. The pre-tax result was struck after taking account of exceptional charges of £916,000, comprising the cost of reorganisation, and interest charges of £305,000 (£169,000).

Losses of 5.24p per share compared with previous earnings of 8.65p.

Looking ahead, Mr Clark said it would be "premature to predict any upturn but, unquestionably, trading is now stable following the extended period of decline".

He added: "Provided that the economy does not worsen, the directors believe that a return to profitability has been achieved."

Harcourt incurs £800,000 loss

Harcourt Group, the subject of a hostile takeover approach from Capital Ventures, a subsidiary of Rutland Trust, yesterday advised shareholders not to allow CV to "profit at their expense."

In the defence document Harcourt said the offers were designed to take control of the group at a time of perceived difficulty.

It added that the suggestion by CV that Harcourt faced imminent financial collapse was "simply not true" and pointed out that the offers were "devoid of commercial logic."

Harcourt, a USM-quoted wholesaler of industrial and transport equipment, also reported a swing from profits of £2.6m to losses of £800,000 pre-tax for the year to March 31 1991.

The results took account of exceptional provisions of £236,000 and interest charges of £912,000 (£529,000). Losses per share emerged at 2.88p (earnings 4.3p). The dividend for the year is omitted – shareholders received 1.8p for 1989-90.

Dunedin Worldwide assets improve

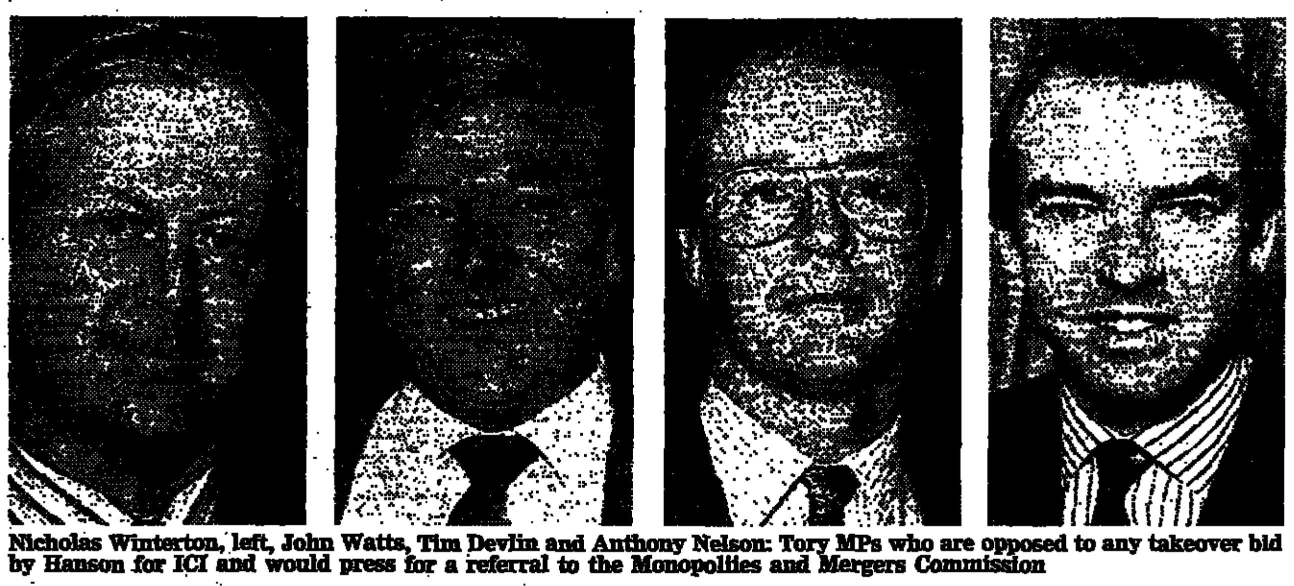
Net asset value per ordinary share of the Dunedin Worldwide Investment Trust rose from 467.4p to 576.9p over the six months to end-April.

After-tax revenue for the half year to April 30 at £1.42m was marginally down on the £1.47m achieved 12 months earlier. The interim dividend is a same-again 2.4p. Earnings per share amounted to 4.17p (4.8p).

UK COMPANY NEWS

A party divided in testing time for free marketeers

Ralph Atkins looks at how Hanson's stake in ICI has caused a split among Conservative MPs



Nicholas Winterton, left, John Watts, Tim Devlin and Anthony Nelson: Tory MPs who are opposed to any takeover bid by Hanson for ICI and would press for a referral to the Monopolies and Mergers Commission

LORD Hanson must be persuaded to desist from taking over Imperial Chemical Industries, many Tory MPs are urging Mr Peter Lilley, the trade and industry secretary.

The battle lines are being drawn up at Westminster over Hanson's stake in ICI. Without even a bid on the table, Lord Hanson, friend and financier of the Tory party, has split Conservative MPs into the unfettered free-marketeers and those who fear a damaging industrial war is looming.

Those anxious about a Lord Hanson bid, most of whom have ICI plants in their constituencies, cite the uncertainty it would create, fears of asset-stripping and Hanson's weakness in research and development.

The embryonic row would be ignored at peril by either Hanson or ICI. Injured backbench opinion is a powerful force on the government – even if procedures to be followed by ministers during bids are carefully laid out.

A possible general election in October, perhaps coinciding with a takeover contest, and an economy in recession, will concentrate minds still further.

No Conservative MP is suggesting a rewriting of British competition policy but if a bid was referred to the European Commission, Mr Lilley would face calls for the British government to lobby vigorously for its obstruction. At the minimum, the cross-party Commons select committee on trade and industry is likely to extend its current inquiry into takeover policy to include Hanson's bid.

On the other hand, some Conservatives are arguing that no bid should override the rule of markets – and that ICI's performance leaves something to be desired. Mr Lilley, a member of the deeply-Thatcherite No Turning Back Group but who strives to portray the DTI as a department that cares about industry, has a difficult balancing act.

There is little sign of the professional lobby groups at Westminster gearing up. But they have time to work on massaging opinion. "It is ridiculously premature to imagine that the institutional shareholders are going to desert the management they have been investing in," says Mr Keith Hampson, Tory MP for Leeds, north west.

Labour, however, has already gone for the jugular, with Mr Gordon Brown, trade and industry spokesman, warning that up to 30 Conservative MPs in marginal seats are at risk if they fail to take a stand against Hanson.

Among the most vociferous pro-ICI Conservative MPs are those with the group's biggest plants in their constituencies. Mr Tim Devlin, who holds Stockton south with a majority of just 774, has written to Mr Lilley saying "12,000 employees of the company on Teeside would face an uncertain future, as would thousands of commodity and manufacturing suppliers in the region."

The danger for Hanson is that opponents of a takeover bid are likely to be the most vocal. Mr Anthony Nelson, whose Chichester seat includes ICI's agro-chemicals division at Fernhurst, says there would be "enormous pressure" from backbench MPs for any bid to be referred to the competition authorities and eventually quashed. Mr Lilley should "be on the telephone" to Hanson, he says.

He praises the management of ICI highly, adding: "While I would not accuse Lord Hanson of being a buccaneer, certainly he is a trader and I think such an approach would not give confidence to ICI's customers, shareholders, and employees." ICI has feted MPs of all sides in the past, according to Mr Nelson. "This is an investment which is going to pay off."

Still more forthright is Mr Nicholas Winterton, MP for Macclesfield where ICI bases its pharmaceuticals division. Any bid would be "short-termist, opportunist and unwelcome," he says. "Hanson can do absolutely nothing which ICI cannot do better for itself."

Similarly, Mr John Watts, whose Slough constituency includes an ICI paint plant, says he is an opponent of "asset stripping" and sees definite limits to free market economics. "These things are not black and white. Generally I like to see the market operate but there can be circumstances where the government needs to intervene in the national interest."

In the other camp, those supporting the government in what one DTI insider described as its "scrupulously fair" approach, include Mr Ken Warren, Tory chairman of the Commons' trade and industry committee.

"When Hanson bid, ICI's shares shot up," says Mr Warren. "Which must mean that the institutional investors must have a higher opinion of Hanson than they have for ICI's management."

He would be in favour of keeping ICI's highly qualified staff better informed but would not try to stop a takeover battle. "Let it go ahead. See what happens. ICI is big enough and adult enough to look after itself."

Hanson also wins at least acquiescence from Mr Michael Grylls, chairman of the Conservative backbench trade and industry committee. He says the growth performance and share price of ICI both show room for improvement with little prima facie evidence for opposing a bid on competition grounds. Has he been lobbied by ICI yet? "They have not been very active. . . They have probably got to get their skates on now."

Ritz Design boosts profit by 22% despite difficult times

By Jane Fuller

RITZ DESIGN Group, maker of underwear, blouses and nightwear and a big supplier to Marks and Spencer, increased pre-tax profit by 22 per cent in the year to March 31.

The taxable figure rose from £2.05m to £2.5m on turnover of £38.52m (£33.19m), up 15.2 per cent. Trading profit was 16.5 per cent ahead at £3.25m (£2.79m).

Ritz's share price gained 12p to close at 168p yesterday, continuing a strong run and giving it a market value of £15.2m. It was only recently that the stock overhauled its September 1988 flotation price of 118p.

Mr Michael Bancroft, chairman and chief executive, said the group had not been immune from economic difficulties, but had strictly controlled costs, stock and cash. Flexible production had helped to cut lead times, enabling a quicker response to changes in demand.

Trading conditions were expected to be at least as bad in the current year. The level of demand from Marks and Spencer, which accounts for 70 per cent of sales, was about the same as last year, he said.

Ritz intended to be acquisitive and was considering a number of targets. So far it had only bought Fantasie Textiles, a swimwear and underwear maker, for £3.3m in July 1989. Other possibilities had been rejected because prices were too high.

The group was looking at different areas of garment manufacture, including childrenswear. Mr Bancroft said acquisitions would be for shares as far as possible to avoid a big increase in gearing.

The ratio stood at 35 (43) per cent on net debt of £2.7m in March. Interest payments amounted to £751,000 (£742,000) during the year.

Earnings per share rose by nearly 22 per cent to 17.9p (14.7p). A final dividend of 3.2p makes a total of 4.8p (4p). The Macclesfield-based group was a management buy-out in 1986 and is still 30 per cent owned by directors.

Restructuring takes its toll as OMI declines 52% to £2.45m

By Michiyo Nakamoto

IN A year which saw substantial restructuring of its activities, pre-tax profits at Optical and Medical International fell 52 per cent to £2.45m.

The outcome for the 12 months to March 31 compared with a previous £5.07m as the group embarked on a programme to slash loss-making businesses and refocus operations amid the downturn in some of its key markets.

A number of unprofitable and peripheral businesses have been sold to concentrate activities into the four core businesses of design technology, instrumentation, electro-optics and Peters & Zabransky, its German design company.

Significant management changes have also been implemented.

Turnover fell to £53.48m (£54.39m). The restructuring programme gave rise to an exceptional cost of £266,000 from the closure and relocation of the electro-optics factory in Watford and the consolidation of that business in one site.

In addition there was an extraordinary charge of £1.81m relating to the restructuring.

The design technology business, which provides about 75 to 80 per cent of turnover, saw firm demand from the general engineering and information technology sectors but suffered from a sluggish aerospace market, particularly in the UK.

As overall turnover of the design technology division has grown and sales in the aerospace sector have remained static, the contribution to turnover from the aerospace operations declined from about 25 per cent to 12 per cent.

The electro-optics division, which supplies both military and civilian markets with optical equipment, experienced a general slowing down in business.

However, the group enjoyed firm demand for its instrumentation equipment which is used to diagnose and test automotive electronic systems.

Mr Gil Williams, who recently assumed the post of chief executive, expects to see substantial benefits from the reorganisation this year. "All of our businesses are now profitable and all of them generate cash," he said.

The group has a net cash balance of £3.9m. While earnings per share fell to 3.4p (7.5p) the final dividend is unchanged at 3.46p for a maintained total of 5.21p.

COMMODITIES AND AGRICULTURE

EC calf prices rise after imposition of import curbs

By David Gardner in Brussels

THE PRICE of live calves in the EC has risen sharply since the European Commission set limits to cattle imports from eastern Europe, mainly Poland, a month ago.

Brussels' move, in response to the Community's growing beef crisis, has lifted the price of Dutch Friesian calves from Fl 400 to Fl 612.5 ($320.7) a head, according to Agra Europe. The price of British calves has risen from Sterling 71 a head on April 20 to Sterling 130 ($226.2) now, while prices have also risen in France and Germany, the UK-based agriculture newsletter says.

The Commission's curb on imports came after the 227,000 head quota for live calves coming in under the normal import levy – 93 per cent from Poland – was filled. But the EC will still allow in another 198,000 under a separate quota, with a levy reduced by two thirds. Fattened cattle can also still come in – "calves" are regarded as under 220 kg, and are imported for fattening within the EC.

Total imports from eastern Europe have thus been halved. These rose from 307,000 in 1988 to 853,000 head last year, 753,000 of which came from Poland and 76,000 from Czechoslovakia.

These imports exclude imports, of calves and beef, from the new German states. Last year about 380,000 milk cows were slaughtered in the former east Germany as it adjusted to the EC's milk quota system, and it is estimated that a further 250,000 will be slaughtered this year.

Though the post-communist democracies have complained bitterly to Brussels that it is blocking access to the few goods in which they have a competitive advantage sufficient to earn them desperately needed hard currency, the Commission says it must first get its beef market back towards balance.

"We can't continue to take in products in which we have a surplus already," says Mr Ray MacSharry, EC agriculture commissioner. He argues that the removal of subsidies in eastern Europe had led to high food prices and a huge drop in consumption, and the Community could not now cope with the surplus.

Shortly before capping imports, Mr MacSharry had warned that if no action was taken to bring supply into balance with demand, the EC beef mountain would reach 1m tonnes this year. The stockpile now stands at just under 700,000 tonnes, as signed contracts to export 335,000 tonnes begin to reduce it.

But despite last week's decision by the council of agriculture ministers to reduce the price levels at which intervention buying is triggered, the stockpile is still expected to grow, because of the depressed state of the beef market.

For EC beef producers therefore, the rise in live calf prices is welcome news after the effects on their business of the revolutions in eastern Europe, the loss of rich Middle East markets because of the Gulf crisis, and the "mad cow" disease scare in the community itself.

India plans jute industry shake-up

Kunal Bose on a scheme to boost export earnings by 200 per cent

THE INDIAN government plans to mount an ambitious campaign to maximise foreign currency earnings from its over-protected and inward-looking jute industry.

Officials are formulating an action plan aimed at raising the country's exports of jute goods to at least 400,000 tonnes by 1994-95 from 230,000 tonnes in 1990-91. The proposed plan will also provide for a substantial improvement in the unit value of jute goods in an effort to raise export income during the period to Rs10bn (£275m) from the present Rs3bn.

Mr R.N. De, the government's jute commissioner, explained that the objective of the plan would be to ensure that the extra exports went mostly to general currency area (GCA) countries. New Delhi, which buys as much as 25 per cent of the industry's total production of gunny bags, has told producers that in order to receive government orders they must export at least 3 per cent of their production to GCA countries. All the other government schemes for jute will be reformulated to provide an incentive for export to similar destinations.

During the year ended March 1991, of the total export of 230,000 tonnes, rupee payment countries accounted for 115,000 tonnes, within which the share of the Soviet Union alone was 109,000 tonnes.

The government has told the industry that among GCA areas, western Europe offers the biggest potential, according to Mr De. The other potentially important markets for Indian jute goods are the US, Japan, Australia and New Zealand.

The world market situation appears favourable but there are doubts about the over-protected Indian industry's ability to take advantage of export opportunities

The authorities remain concerned, however, that the industry is not yet addressing itself to the task of producing jute goods conforming to the standards and specifications now demanded in unified Europe. There is a consensus of opinion that if India is to step up export earnings to Rs10bn by 1994-95 there has to be aggressive marketing of non-traditional items like pure and blended jute carpets, geotextiles, soilsavers, felt and decorative and furnishing items. At the moment such products account for less than 2 per cent of the industry's total production of 1.42m tonne of jute goods; and only a handful of jute mills produce them.

The Indian Jute Mills Association has suggested that the government should restore the facility of duty free import of machinery and equipment to enable a larger number of units to produce non-traditional items. A tonne of jute carpet could fetch as much as Rs100,000, compared with the present average price of Rs14,000 a tonne for traditional items like sacking and hessian.

Another important recommendation of the association is that Indian raw jute, which cannot compete with Bangladeshi, Thai and Chinese fibre in the world market because of its higher cost of production, should be made available to jute goods manufacturers at the minimum support price for export production. The Indian benchmark grade of raw jute, TD5, commands a premium of Rs220 a quintal (100 lb) over the minimum price.

Among the traditional jute goods, jute yarn holds the maximum promise for the Indian industry. Out of total world exports of over 122,000 tonnes of jute yarn India's share is no more than 18,000 tonnes. With production of woven carpets increasing throughout the world demand for jute secondary carpet-backing will grow; and as jute is an environment friendly product, it is replacing synthetics in the packaging of agricultural products.

But while the world market situation appears favourable for jute the Indian industry, which has become increasingly inward-looking over the years, may not be able to take full advantage of it. The complacent attitude of this highly inefficient and labour-intensive sector has not been discouraged by a government that has restricted its main domestic competitor, the fledgling synthetic fibre industry, to a marginal share of the packaging market.

Cotton prices refuse to come down

INDIAN COTTON prices are still booming on the domestic market, despite strong indications that reduced crop estimates issued earlier in the year were excessively pessimistic, writes Kunal Bose in Calcutta.

Market arrival figures released by the East India Cotton Association suggest that the 1990-91 (September-August) season will yield a production total of 11.7m bales (170 kg each), up 200,000 bales on the association's March estimate.

But prices of all varieties of cotton are continuing to run exceptionally high. Compared with the corresponding period last year prices are showing rises of 30 per cent to 100 per cent. The increase is particularly marked in the case of short and medium staple cotton.

According to the association, the higher crop estimate is attributable to the improvement in crop outlook in Maharashtra, Madhya Pradesh and Andhra Pradesh.

At the beginning of the season the crop forecast was 15m bales, compared with 13.35m bales in 1989-90. But that was steadily revised downwards, first to 12.2m bales and then to 11.5m bales, as a result of unfavourable weather condition and large scale pest attacks in many cotton growing centres.

The frequent changes in the crop estimate reveals the shortcomings of the Indian crop monitoring system.

The unchecked rise in cotton prices has no doubt affected the working of textile mills and also of the handloom sector. And India's exports of value added items, particularly of yarn may suffer a setback if the runaway inflation in cotton prices continues.

In the circumstances the mills are suggesting that the government should allow export of raw cotton only to the extent committed to foreign buyers. Earlier, the government sanctioned exports of 1.44m bales in two tranches.

The compulsion to earn foreign exchange and also to keep the powerful farmer's lobby happy forced the government to be liberal with exports even when a cotton shortage was staring the industry in the face.

That there is a tight supply situation is not denied. But the galloping price increase is also partly attributable to speculative purchases and cornering of stocks by traders and mills. If the latest production estimate is correct the total availability of cotton in the current season will now be 14.8m bales, including stocks of 3.1m bales brought forward from last season.

The production subsidy that goes up in smoke

By David Gardner

A MUCH-remarked paradox of the European Commission's proposal, earlier this month, to ban all tobacco advertising, is that Brussels at the same time subsidises the European Community's tobacco growers, currently at a rate of Ecu1.34bn ($1.7bn) a year.

The Common Agricultural Policy gives the EC's 200,000 tobacco producers a level and type of price support that, moreover, encourages them to grow more.

This year, the Commission proposed a 10 per cent cut in tobacco subsidies, largely because of explosive pressure on the farm budget as a whole, which is set to rise a record 30 per cent to Ecu32.5bn. Brussels had originally wanted a cut of at least 15 per cent but on May 25 it settled for one of only 6 per cent after running into strong pressure from Greece and Italy, which together produce nearly all EC tobacco.

At its new budget of Ecu1.26bn, tobacco production gets the equivalent of half Brussels-funded research spending, over ten times more than Community environment policy, and a hundred times the EC budget for the protection of consumers.

The Commission's justification for continuing to support the growers is that they are mostly marginal farmers, working small plots on poor soil in backward areas with almost no alternative employment. Brussels also argues that imported tobacco would quickly fill any vacuum left by a reduction in indigenous production.

Officials say that the Commission has been trying to reduce output and encourage a switch to lighter varieties. In addition, last year it got through legislation limiting tar content in cigarettes to 15 mg by the end of 1992 and 12 mg by the end of 1997.

But meanwhile, "we cannot ignore the social dimension of the problem", a spokesman for the chain-smoking Ms Vasso Papandreou, the social affairs commissioner behind the proposed ban, underlines.

Output is supposedly limited to an annual quota of 385,000 tonnes, but came in at about 412,000 tonnes in both 1989 and 1990. This theoretically meets about half EC tobacco consumption. But many growers have switched to oriental varieties not used by the European tobacco industry. This is because financial penalties for exceeding quotas in these leaves are lighter and this output attracts lucrative subsidies when it is exported, at low prices, to the Middle East and eastern European markets.

In its latest annual report on agriculture, the Commission notes the "spectacular" rise in the production of just one oriental tobacco type, Badischer Geudertheimer, which in Italy increased from 3,600 tonnes in 1986 to 85,000 tonnes in 1989.

The report makes no mention of the perverse subsidy mechanisms causing such increases. But Mr Ray MacSharry, the agriculture commissioner, is known to want very sharp cuts in subsidy to tobacco, an issue he is expected to tackle within detailed plans for a radical overhaul of the CAP, due out next month.

● The International Tobacco Growers' Association has produced an economic atlas of tobacco-growing countries under the title, Tobacco in the Developing World. The atlas, together with Tobacco Forum, the ITGA's quarterly journal, and a Peters projection map outlining the world tobacco economy, is available free to educational establishments, teachers and researchers worldwide. "We think that the material we have produced will focus attention on the major agri-economic issues that face my members throughout the world," said Mr David Walder, the association's chief executive.

US farmer borrowing upturn continues

By Barbara Durr in Chicago

AFTER STEADY declines in American farm debt from 1983 to 1989, a 1990 upturn in farm loans is continuing this year, according to the Federal Reserve Bank of Chicago.

A survey of 400 agricultural bankers in the five state Midwest area covered by the Chicago Fed indicated that farm loan demand had strengthened in the first quarter, though bankers reported that they had ample funds to lend and were charging somewhat lower rates.

The Chicago Fed's follows agricultural developments in Illinois, Indiana, Iowa, Michigan and Wisconsin. Nationwide in 1990, farm loans at banks, which account for a third of all farm sector debt, rose nearly 6 per cent.

The 1991 increase in farm debt reflects in part the higher costs that farmers must pay for production inputs. A US Department of Agriculture survey found recently that fuels, fertiliser and feeder livestock prices has risen 5 per cent, while agricultural chemicals had gone up 9 per cent.

The rise in borrowing by farmers also appears to be related to somewhat tougher conditions in specific segments of the agricultural market. In dairy for example, sharply lower milk prices have led to slower loan repayments and more loan renewals or extensions in Wisconsin and Michigan, where milk accounts for 60 per cent and 25 per cent respectively of all farm commodity sales.

Conversely, with stronger beef and pork prices recently, some livestock farmers have moved to expand with bank financing.

Another key factor in the rising debt to banks is the lower level of subsidy payments from the US government this year. Government payments to farmers in January, the latest month for which figures are available, were just $52m, down 97.1 per cent from the same period last year, according to the Chicago Fed.

Tentative deal at nickel mine

TENTATIVE Agreement has been reached in contract negotiations between Inco of Canada, the world's biggest nickel producer, and the United Steelworkers, covering 6,100 workers in the company's Ontario mines, the company said yesterday. The union, which earlier described the negotiations as "very delicate", said it would recommend its members to vote in favour before the current contract's expiry at midnight tomorrow.

Inco produces one-third of the west's nickel in Ontario, Manitoba and in Indonesia.

The main issues in the contract dispute were basic wages, contracting-out pensions and the nickel price bonus.

Brazil lets wheat imports go ahead

By Victoria Griffith in Sao Paulo

BRAZILIAN FLOUR mills say they still intend to import large amounts wheat from the US, despite attempts by the Brazilian government to discourage the purchases.

"We plan to import about 40,000 tonnes of wheat a month from the US," said Mr Nilo Sirio, spokesman for the flour mill Mofinho Sao Jorge.

The US has offered 750,000 tonnes of wheat to Brazil to help counter a 4m tonne domestic shortage. After bitter complaints from Argentina and Uruguay, Brazil's foreign ministry announced that it was "not pleased" by the importation of subsidised agricultural products. However, the government has left imports open.

"For the time being," said an official at the Economics Ministry, "the flour mills are free to import from the United States."

The battle between Brazil's flour mills and its southern neighbours' wheat farmers exploded two weeks ago when the Brazilian flour sector began negotiate the purchase of cheaper wheat from the US. The trouble is that Brazil, in signing a deal for the purchase of Argentine wheat earlier this year, agreed not to take in subsidised wheat from other countries.

The agreement was made in the co-operative spirit surrounding the recent formation of a common market between Argentina, Uruguay, Brazil and Paraguay. Argentina's wheat growers, say Brazilian buyers, unfairly took advantage of the deal to boost prices 65 per cent since the beginning of the year.

Brazilian flour mills argue that Argentina, with about 1.7m tonnes of wheat available for export, will not be able fully to meet Brazil's import needs.

Mr Pedro Camargo Neto, president of the Brazilian Rural Society, argues that an anticipated increase in domestic production later this year will help counter the shortage. He is lobbying for a countervailing duty on the import of any subsidised wheat.

WORLD COMMODITIES PRICES

MARKET REPORT

JAPANESE AND US selling sent aluminium prices to life-of-contract lows on the London Metal Exchange yesterday before late short-covering lifted values near the close. But the cash position still ended the day $6.50 down at $1,264 a tonne, the fifth successive daily fall. Nickel prices also came under pressure following news that tentative agreement had been reached between management and union leaders in the contract talks at Inco's Sudbury, Ontario operation. The cash price closed $215 down at $8,145 a tonne, wiping out most of the gains of the previous two trading days. Tin prices trimmed early losses, but still ended down on the day after it was confirmed that Brazil's wildcat or garimpeiro miners had temporarily won the right to resume their operations, dealers said. The cash position on the LME closed at $5,605 a tonne, down $25 on the day. Copper prices reached fresh three-month lows after an active day's trading featuring extensive long liquidation by a major Japanese trading house, dealers said. Cash metal lost another £6.50 to reach £1,264 a tonne at the close. Cocoa futures prices closed with small losses having recovered slightly from an earlier slump to the lowest levels since 1975.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.90-6.00u	-.125
Brent Blend (dated)	$18.725-.825	-0.2
Brent Blend (Jul)	$19.25-9.30	-.175
W.T.I. (1 pm est)	$21.10-1.20u	-.125
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$247-249	+1
Gas Oil	$184-185	-1
Heavy Fuel Oil	$71-73	+1
Naphtha	$207-209	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$361.45	+0.45
Silver (per troy oz)♣	417.5c	+1.0
Platinum (per troy oz)	$393.10	+4.10
Palladium (per troy oz)	$94.00	+0.50
Aluminium (free market)	$1250	-20
Copper (US Producer)	104c	-1
Lead (US Producer)	35c	
Nickel (free market)	394c	-7
Tin (Kuala Lumpur market)	15.20r	-0.14
Tin (New York)	262c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	111.74p	+0.46*
Sheep (dead weight)†	146.20p	-28.0*
Pigs (live weight)†	88.52p	-5.86*
London daily sugar (raw)	$198.8q	-1.8
London daily sugar (white)	$300.8q	-1.7
Tate and Lyle export price	£221.5	-2.0
Barley (English feed)	£106v	
Maize (US No. 3 yellow)	£180.5	
Wheat (US Dark Northern)	£100	
Rubber (Jul)♥	53.75p	+0.25
Rubber (Aug)♥	54.25p	+0.25
Rubber (KL RSS No 1 Jun)	228.0m	+2.0
Coconut oil (Philippines)§	$335.0v	+5.0
Palm Oil (Malaysian)§	$310.0t	
Copra (Philippines)§	$222.5v	
Soyabeans (US)	£158.0	-3.0
Cotton "A" index	85.15c	-0.20
Wooltops (64s Super)	382p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jun/Jul t-Jun u-Jul v-Jul/Aug. x-Jul/Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Aug	170.60	171.40	171.60	169.60
Oct	169.60	169.40	170.00	168.00
Dec	171.60	172.40	170.00	
Mar	171.80	171.40	173.00	171.00
Aug	178.00		178.00	
Oct	179.60		179.00	
White	Close	Previous	High/Low	
Aug	290.3	290.5	292.5	285.3
Oct	257.4	258.0	258.0	254.0
Dec	252.0	252.0	252.0	249.2
Mar	250.7	251.5	252.0	249.2
May	251.9		253.7	
Aug	256.7		256.7	
Oct	245.4	251.0	247.7	

Turnover: Raw 548 (514) lots of 50 tonnes. White 1752 (1227)
Paris- White (FFr per tonne): Aug 1673, Oct 1494.

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Jul	19.28	19.43	19.48	19.23
Aug	19.54	19.64	19.65	19.50
Sep	19.75	19.86	19.83	19.75
Oct	19.90	20.05	19.90	
Nov	19.98	20.05	19.98	
IPE Index	19.46	19.56		

Turnover 11426 (10357)

GAS OIL – IPE			$/tonne	
	Latest	Previous	High/Low	
Jun	179.50	179.50	180.50	178.75
Jul	175.25	175.25	176.25	174.75
Aug	176.50	176.50	177.50	176.00
Sep	178.50	178.50	178.50	178.25
Oct	180.75	180.50	180.75	180.25
Nov	182.75	182.50	183.00	182.00
Dec	183.25	183.50	183.50	182.75
Jan	180.75	181.00	180.75	180.50

Turnover 7352 (8181) lots of 100 tonnes

WOOL

Many mills are closed down for the week. But healthy call-off for delivery of tops, and to some extent yarns, has resulted in volunteers working some shifts during the holiday. The feeding into the Australian auction system of stockpile bales to make good a shortfall is meeting with resistance and generally failing to meet Australian Wool Corporation reserves. At Melbourne yesterday (Wed) the AWC offered 6,368 bales from stockpile, of which 1,885 bales were sold and 4,483 bales were passed in. Following the Melbourne and Brisbane sales the market indicator was down six cents to 584.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Jul	595	598	598	588
Sep	624	627	624	616
Dec	662	665	662	655
Mar	695	696	695	687
May	716	719	717	710
Jul	737	741	737	731

Turnover: 7867 (2213) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 29 776.01 (780.65) 10 day average for May 29 780.09 (780.40)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
May	506	512	505	501
Jul	531	532	531	523
Sep	557	557	557	549
Nov	579	580	579	573
Jan	601	602	601	593
Mar	620	622	613	

Turnover 2606 (2720) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 28 : Comp. daily 86.07 (86.10). 15 day average 87.53 (87.65)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	129.1	130.4	129.5	129.0

Turnover 127 (139) lots of 40 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Aug	128.60	129.00	128.60
Oct	132.00	133.00	132.00
Dec	135.50		135.50

Turnover 45 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/Index point	
	Close	Previous	High/Low	
Jun	1695	1686	1695	1685
Jul	1585	1550	1585	1550
Oct	1654	1640	1654	1630
Jan	1643	1640	1640	1636
BFI	1743	1734		

Turnover 387 (291)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Jun	135.00	134.00	135.00	133.50
Sep	112.80	112.40	112.80	112.60
Nov	115.85	115.25	115.85	115.25
May	126.10		125.70	
Barley	Close	Previous	High/Low	
Sep	110.20	109.80	110.15	110.00
Nov	113.85	113.45	113.80	113.50

Turnover: Wheat 356 (138), Barley 31 (104).
Turnover lots of 100 tonnes.

PIGS – London FOX		(Cash Settlement) p/kg		
	Close	Previous	High/Low	
Aug	115.5	116.5	116.5	
Sep	116.5		116.0	115.0
Oct	117.0		116.0	115.0
Nov	115.0		115.0	114.0
Jan	106.5	106.0	107.0	106.0
Feb	107.5		107.0	

Turnover:109 (20) lots of 3,250 kg

MGMI – London FOX					
	Close	Prev.	High	Low	Vol
Indx	137.00	137.94			
Jun	136.80	139.20	138.00	136.80	74
Jul	137.90	140.10	139.00	137.90	139
Sep	138.70	139.80	138.50	139.70	70
Dec	139.50	140.90	139.50	139.50	65
Mar	140.20		140.20	140.20	35
Jun	140.80		140.80	140.80	20

LONDON METAL EXCHANGE			(Prices supplied by Amalgamated Metal Trading)			
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 21,893 lots
Cash	1247-8	1263-5	1249/1247	1247-8		
3 months	1279-80	1295-6	1287/1277	1278-9	1284-5	84,117 lots
Copper, Grade A (£ per tonne)						Total daily turnover 24,963 lots
Cash	1263-5	1270-1	1265	1264-5		
3 months	1282.5-3.0	1288-9	1287/1276	1282-3	1284-5	119,614 lots
Lead (£ per tonne)						Total daily turnover 2,631 lots
Cash	313-4	313-4	308.5/308	308.5-9.0		
3 months	324-4.5	325-5.5	324/317	320-1	323-4	14,366 lots
Nickel ($ per tonne)						Total daily turnover 2,019 lots
Cash	8140-50	8365-65	8260/8255	8250-5		
3 months	8140-5	8340-45	8200/8125	8265-70	8125-50	12,933 lots
Tin ($ per tonne)						Total daily turnover 1,875 lots
Cash	5600-10	5625-35		5667-70		
3 months	5685-90	5710-20	5700/5650	5655-60	5675-85	6,619 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,151 lots
Cash	1068-70	1071-3	1070.5/1070	1070-0.5		
3 months	1084-5	1087-8	1089/1084	1088-8.5	1084-5	28,974 lots

LME Closing £/$ rate: SPOT: 1.7320 3 months: 1.7088 6 months: 1.6919 9 months: 1.6774

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	362.10-360.80	
Opening	361.50-362.00	
Morning fix	360.75	207.030
Afternoon fix	361.50	206.902
Day's high	362.10-362.50	
Day's low	360.50-360.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.27	6 months	5.16
2 months	5.24	12 months	5.10
3 months	5.21		

Silver fix	p/fine oz	US cts equiv
Spot	237.45	414.20
3 months	244.05	420.10
6 months	250.20	426.15
12 months	262.60	439.95

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	362.00-363.00	207.00-207.50
Maple leaf	370.00-371.00	211.75-212.25
New Sovereign	87.00-88.00	49.75-50.25

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jun	Jul	Jun	Jul
1150	116	142	1	7
1250	37	68	22	32
1350	5	25	88	88
Copper (Grade A)	Calls		Puts	
2100	116	127	12	39
2200	50	72	45	82
2300	15	28	110	144
Coffee	Jul	Sep	Jul	Sep
500	33	62	3	5
550	6	27	28	20
600		10	70	53
Cocoa	Jul	Sep	Jul	Sep
550	45	78	1	5
600	9	41	15	18
650	1	18	57	45
Brent Crude	Jul	Aug	Jul	Aug
1900			20	35
1950		65	44	57
2000	12	43		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
May	361.1	363.6	0	0
Jun	361.2	363.7	362.8	361.1
Jul	362.6	365.1	0	0
Aug	364.2	366.7	365.8	364.0
Oct	367.3	369.8	368.8	367.8
Dec	370.4	372.9	372.2	370.2
Feb	373.7	376.3	374.0	374.0
Apr	376.9	379.5	378.5	378.5
Jun	380.2	382.9	382.0	382.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	397.2	397.6	397.5	395.1
Oct	401.4	401.9	402.0	400.0
Jan	405.8	406.1	406.5	404.5
Apr	409.8	410.1	0	0
Jul	413.8	414.1	414.0	414.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
May	414.3	415.2	418.0	413.0
Jun	414.3	415.4	0	0
Jul	416.5	417.5	419.0	413.5
Sep	421.5	422.5	424.5	419.0
Dec	428.5	429.6	431.5	426.5
Jan	430.6	431.7	432.0	432.0
Mar	436.2	437.3	437.0	435.5
May	441.5	442.7	443.0	442.0
Jul	446.8	448.0	0	0
Sep	452.6	453.8	454.0	453.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	98.00	99.80	99.40	97.80
Jun	98.35	99.90	99.20	98.00
Jul	98.20	99.20	98.90	97.60
Aug	97.85	98.80	98.35	97.60
Sep	97.50	98.40	98.10	97.20
Oct	97.20	98.05	97.25	97.25
Nov	96.90	97.73	96.90	96.90
Dec	96.60	97.40	97.10	96.40
Jan	96.25	97.00	0	0
Feb	95.90	96.70	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jul	21.18	21.33	21.31	21.10
Aug	21.21	21.34	21.32	21.16
Sep	21.24	21.37	21.35	21.22
Oct	21.30	21.41	21.38	21.28
Nov	21.35	21.45	21.45	21.34
Dec	21.38	21.49	21.48	21.39
Feb	21.24	21.34	21.34	21.34
Apr	21.15	21.28	21.15	21.15

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jun	5575	5581	5595	5555
Jul	5620	5610	5640	5590
Aug	5695	5690	5710	5675
Nov	6035	6034	6045	6015
Dec	6125	6128	6140	6105
Jan	6145	6148	6160	6125
Mar	5845	5848	5865	5830

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	980	984	980	965
Sep	1008	1012	1009	995
Dec	1052	1056	1052	1040
Mar	1094	1100	1091	1087
May	1123	1125	1121	1116
Jul	1153	1150	1145	1140
Sep	1182	1179	1175	1170

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	86.45	86.55	86.60	85.90
Sep	88.66	88.75	88.85	88.20
Dec	91.70	92.05	92.10	91.50
Mar	94.75	95.05	95.00	94.60
May	96.30	97.05	97.00	97.00
Jul	98.65	99.30	99.25	98.75
Sep	100.90	100.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	8.01	8.05	8.13	7.97
Oct	7.67	7.64	7.70	7.61
Mar	7.78	7.75	7.80	7.72
May	7.89	7.85	7.93	7.93
Jul	8.01	7.96	0	0
Oct	8.06	8.07	8.10	8.10

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	88.16	89.30	90.10	88.11
Oct	81.25	80.78	81.70	80.50
Dec	75.90	75.68	76.08	75.40
Mar	76.80	76.60	76.90	76.35
May	77.20	77.05	77.25	76.80
Jul	77.25	77.10	77.35	76.90

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	123.20	122.30	124.10	123.00
Sep	122.65	121.90	123.20	122.45
Nov	120.00	120.00	121.00	120.00

INDICES

REUTERS (Base: September 18 1931 = 100)			
May 29	May 28	mnth ago	yr ago
1714.6	1719.9	1723.1	1910.2

DOW JONES (Base: Dec. 31 1974 = 100)				
	May 28	May 24	mnth ago	yr ago
Spot	128.67	128.59	127.13	136.39
Futures	127.38	128.43	126.20	133.47

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	574/0	577/0	579/4	573/0
Aug	577/0	580/4	583/0	576/2
Sep	577/6	582/2	585/0	577/4
Nov	585/6	591/0	593/2	584/6
Jan	597/0	603/0	604/4	596/0
Mar	608/0	614/0	615/0	607/0
May	616/6	621/2	623/4	616/6
Jul	621/6	626/0	628/4	621/6

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	20.00	20.15	20.24	19.87
Aug	20.15	20.32	20.40	20.04
Sep	20.32	20.51	20.58	20.25
Oct	20.50	20.67	20.75	20.42
Dec	20.90	21.03	21.08	20.74
Jan	21.04	21.12	21.22	20.93
Mar	21.35	21.48	21.53	21.25
May	21.67	21.75	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	172.6	172.9	174.2	172.3
Aug	173.7	174.3	175.4	173.7
Sep	174.9	175.8	176.6	174.8
Oct	175.3	175.9	177.2	175.0
Dec	177.0	178.3	179.2	177.0
Jan	178.2	179.0	180.3	178.2
Mar	179.5	1180.0	181.5	179.5
May	180.5	180.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
May	254/2	257/4	256/2	254/0
Jul	245/0	246/6	247/4	244/4
Sep	243/2	245/6	246/2	242/6
Dec	242/2	245/2	245/6	241/6
Mar	250/4	253/2	253/2	249/6
Jul	259/2	262/4	262/0	259/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
May	314/4	315/4	318/4	314/4
Jul	288/2	308/0	292/4	288/0
Sep	298/6	299/4	300/6	298/6
Dec	308/6	311/6	313/0	308/4
Mar	316/0	318/2	320/0	316/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	76.37	76.12	76.40	76.07
Aug	74.27	74.10	74.42	74.05
Oct	75.92	75.72	76.05	75.60
Dec	76.35	76.20	76.50	76.20
Feb	75.82	75.67	76.00	75.60
Apr	76.35	76.25	76.47	76.05
Jun	74.87	74.80	74.95	74.80

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	57.57	57.65	57.70	57.40
Jul	56.05	56.42	56.35	56.00
Aug	52.77	53.07	53.15	52.70
Oct	47.57	47.77	47.85	47.42
Dec	47.40	47.80	47.60	47.40
Feb	47.20	47.20	47.37	46.90
Apr	45.27	45.35	45.40	45.27
Jun	49.70	49.72	0	49.70

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	59.40	58.90	59.90	58.55
Aug	56.15	55.87	56.50	55.40
Feb	57.42	57.32	57.70	57.20
Mar	57.30	57.25	57.50	0
May	57.70	58.00	0	57.70
Jul	57.70	58.00	0	57.70

LONDON STOCK EXCHANGE

Shares advance in improved volume

A FLOW of corporate developments involving stocks in the FT-SE 100 list enlivened the UK stock market yesterday, and trading closed with the Footsie moving closer to the 2,500 mark, although it was finally just below the best of the day. A decisive move above 2,500 would be seen as a bullish indicator; however, traders viewed this morning's prospects with no great confidence.

Wall Street set the pace for London, which opened higher following New York's rise of 45 Dow points overnight and was helped at the close when the US market started the new session firmly, albeit with some hesitation.

But the UK market moved erratically during the session, slipping into negative territory in early deals when it faced a further flow of cash calls, led by Queens Moat Houses, the hotel operating group, which is seeking £184m in convertible rights.

Account Dealing Dates		
*First Dealings:		
May 20	Jun 3	Jun 17
Option Declarations:		
May 30	Jun 13	Jun 27
Last Dealings:		
May 31	Jun 14	Jun 28
Account Day:		
Jun 10	Jun 24	Jul 8

*New-time dealings may take place from 9.30 am two business days earlier.

For much of the session, however, the market was driven by a succession of reports from annual meetings of some companies and by profits downgradings of others by market analysts. But the overall effect on the market was somewhat mixed, and analysts expressed differing views of the immediate implications for share prices.

The market's hopes for evidence of some recovery from recessionary pressures in the UK were not helped by the chairman of Blue Circle, the UK cement producer, who told shareholders that market conditions both in the UK and the US continued to deteriorate. Among publishing stocks, *Pearson fell after reports of a* profits downgrading by a UK brokerage house.

However, the annual meeting of BAT Industries was initially well received in the City, although the shares gave back an early gain to finish a few pence easier. Selected pharmaceutical issues continued to attract support from both sides of the Atlantic.

In the continued absence of sellers, the response to selected Footsie stocks took the market to plus 13.8 at its best before it reacted in later dealings. Then, spurred by Wall Street's return to plus territory, the London market moved up again to challenge the high point of the day.

At the close, the FT-SE Index was a net 13.2 ahead at 2,492.9. Traders commented cautiously that the index was still inside *its current trading range and* that share prices had been helped at one stage by the expiration in the traded options market.

Seaq volume increased sharply to 439.2m shares, against 288.5m in the previous session and 436.9m on Friday. Traders said that institutional interest remained thin, with many UK fund managers apparently more attracted by the other European markets.

The mood remained nervous, as indicated by the uncertain pattern traded yesterday by the Footsie index. Doubts over prospects for significant gains in the market over the second quarter of the year remained unshaken, although equity chart technicians believe that a successful challenge to Footsie 2,500 could open the way for a move to the 2,550 area.

US buying of pharmaceutical shares in London lent credence to suggestions that the UK market is considered by some local investment houses to be relatively cheap against Wall Street and that some are successfully arbitraging between the two. This also appeared to be reflected in the concentration on the "big stocks" which have fared better than second-liners as the market has turned increasingly unsure of its direction.

FINANCIAL TIMES STOCK INDICES

	May 29	May 28	May 24	May 23	May 22	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.36	84.39	84.24	84.47	84.49	78.58	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.63	93.45	93.41	93.48	93.49	87.27	94.84 (5/4)	89.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1946.9	1937.0	1932.5	1946.4	1933.4	1857.4	2014.5 (5/4)	1608.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	172.0	165.0	165.9	164.4	165.9	216.2	179.7 (14/1)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2492.9	2479.7	2471.1	2482.6	2465.9	2346.2	2545.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1173.03	1171.18	1165.34	1168.05	1165.21	-	1178.39 (15/4)	938.62 (16/1)	1178.39 (15/4/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.90	4.92	4.94	4.92	4.95	4.96				
●Earning Yld % (full)	8.60	8.64	8.57	8.59	8.66	11.22				
●P/E Ratio (Net)	14.32	14.26	14.20	14.33	14.23	10.78				
SEAQ Bargns 4.45pm	26,021	23,221	25,274	24,000	27,335	30,837				
Equity Turnover (£m)†	-	587.17	802.21	830.41	889.24	1078.14				
Equity Bargains†	-	22,634	24,270	23,253	27,344	29,801				
Shares Traded (ml)†	-	288.3	391.5	372.4	407.0	408.7				

Ordinary Share Index, Hourly changes — Day's High 1948.1 — Day's Low 1941.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1945.2	1945.0	1945.1	1945.4	1947.9	1947.6	1947.6	1944.2	1943.9

FT-SE 100, Hourly changes — Day's High 2493.5 — Day's Low 2480.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2489.8	2487.7	2488.2	2489.5	2489.2	2491.4	2491.5	2488.8	2489.3

FT-SE Eurotrack 200, Hourly changes — Day's High 1176.54 — Day's Low 1172.81

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1175.37	1175.27	1176.04	1175.96	1175.06	1174.55	1173.74

GILT EDGED ACTIVITY

Indices	May 29	May 24
Gilt Edged Bargains	82.0	102.6
5-Day average	89.0	90.2

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

Publishers under pressure

REED International was one of the worst performers among FT-SE 100 constituents as two securities houses reiterated their caution ahead of the company's final results, due next Wednesday.

At Smith New Court's morning meeting, Mr Terry Conner said companies with March year-ends, such as Reed, were only now about to reveal the extent to which they had been hurt by the recession. He added that revenues from Reed's 1990 acquisition, TV Times, would be lower than anticipated because competition since deregulation of the television programme listings market had halved the magazine's circulation.

Hoare Govett issued an overview of the newspaper market in which it called Reed shares "overvalued". The broker said advertising in many of Reed's publications – local free sheets and business magazines – would recover more slowly than in consumer markets.

In addition, Reed was hit by the weakness in Pearson, whose assets include the Financial Times. Analysts and traders were convinced that Cazenove, Pearson's broker, had cut its profits forecast for Pearson for the current year from £235m to £186m. Cazenove would *not comment*. Reed fell 12 to 392p and Pearson lost 24 to 735p, having been 45 down at one point.

Heavy Asda trades

Asda picked up 6 to 115p as selling during the previous day dried up and the stock was able to benefit from continuing speculation that the company would be a bid target. Turnover was heavy at 7.4m shares and it was also the most active stock in the traded options market.

Analysts appeared divided over whether the food retailer *was a genuine takeover target*, but the bid camp was looking at the German supermarkets group Aldi, at Kingfisher, the UK retailing conglomerate, which lost a penny to 471p, and at Metro and Tengelmann, the large German retailing groups.

A late flurry of selling, prompted by stories of a possible rights issue, left Thorn EMI 11 off at 696p. Thorn reports preliminary figures this morning. BZW expects Thorn to come up with profits of £256m, down from last year's £317.5m, with the final dividend maintained at 21.5p to give a year's total of 32.5p. The market range for Thorn's profits goes from £256m to £275m.

BZW's Ms Jane Anscombe is looking for weak trading conditions in Thorn's rental/retail and lighting businesses, partly offset by a good showing by the music businesses. Analysts chopped their forecasts for Thorn after the latter issued a profits warning last January.

Ms Anscombe said Thorn's net debt as of March 1991 will be £415m with gearing at 70 per cent, including auction preferred stock. "The balance sheet and interest cover are sound," added the BZW analyst.

Microfocus jumped 53 to 1678p after news that US investors, via BNY (Nominees), had increased their holdings in Microfocus to 27.73 per cent.

Racal Electronics added 5 at 233p, with a line of 2.8m shares traded at 230p only minutes before the close of business. News of the Racal Telecom demerger proposals is expected on June 12, along with Racal's preliminary figures.

Glaxo's bull run came to a halt briefly yesterday as newswire services carried reports from Tokyo that the company planned to issue yen-denominated convertible bonds in June or July.

Last November, Glaxo made arrangements with the Japanese Finance Ministry to allow it, over a two-year period, to issue loan stock *convertible* into ordinary shares. The company said then that it intended to issue Y20bn (£83.7m) worth "when market *conditions* permit". Yesterday, Glaxo said it had nothing new to add to this statement and the shares, which had languished for most of the session, recovered to end 5 better on the day at 1209p.

Investors focused first on measured confidence from the chairman of BAT Industries at the company's annual meeting and then on his cautious view of second-quarter trading. The shares peaked at 696p and lost ground in the last hour of trading to end a net 3 down at 688p.

Cookson shook off the negative developments of the past few days as speculation resurfaced of takeover possibilities. Some traders late yesterday were expecting a predatory move by a US company, although the talk lately has centred on possible action by any one of several UK groups.

Cazenove sharply cut profits estimates for Cookson after the latter warned at the annual meeting on Friday that difficult trading conditions were continuing. The shares recovered 2¼ to 115¼p in turnover of 3.2m shares.

Downward ratings by investment houses failed to hurt shares of Rolls-Royce, which picked up 2 to 150p, but did harm fellow FT-SE constituent Harrisons & Crosfield. Cazenove was said to have lopped £15m both from this and next year's profits forecasts, now £90m and £110m respectively. H & C dipped to 133p before settling only 3 down on balance at 139p.

The appearance of the long-awaited convertible bond issue from Burmah Castrol, a £56m 9.5 per cent bond dated 2006, depressed the company's shares – they dropped 18 to 536p. Turnover was 1.9m, well ahead of its usual level.

British Gas continued to reflect market optimism over the dividend potential and closed a further 1¼ ahead at 244¼p. BP, boosted by market noises that the company's Colombian oil and gas discovery is much bigger than expected, put on 3 to 324p, with rights issue stories and worries about the Kuwait Investment Office's *9.85 per cent stake moved on to* the back burner.

More heavy activity in the power generators saw some 10m National Power change hands and the shares held at 139¼p amid strong support from at least one of the big UK investment houses. PowerGen slipped ¼ to 145¼p on 4.2m shares.

There were indications from dealers that the second round of book building for the Scottish generators had gone very well and that the two stocks would be sold on a yield of 5.1 per cent, a figure that would highlight the attractions of the electricity sector, where yields range from 5.3 to 6.1 per cent, and the water stocks, which offer returns of 5.4 to 6.4 per cent.

The Electricity Package ran back from an initial £2220 to end the session a net 10 off at £2208. Water issues proved a *resilient market*, the Water Package closing 8 up at £3008, having been as high as £3018 earlier in the session.

Unilever advanced 14 to 753p after healthy activity on Wall Street. Hillsdown gained 8 to 229p following the announcement that it had sold its Canadian edible oils subsidiary Canada Packers for C$105m (£52.8m). Northern Foods rallied 9 to 450p in anticipation of good results on June 11, and Dunhill, with final results due today, gained 4 to 446p.

Ratners was still under pressure after analysts' downgradings on Tuesday. It lost 4 at 150p.

Container leasing group Tiphook was 9 stronger at 440p following transport secretary *Mr Malcolm Rifkind's* proposals for increased rail freight. Tiphook has one of the biggest rail wagon rental divisions in Britain.

MEPC lost 5 to 490p after Sir Christopher Benson, the chairman, said that short-term prospects were likely to be affected by the recession, which meant that the letting of development projects might take longer than originally planned.

Hotel operator Queens Moat Houses eased 1¼ to 86p after announcing a rights issue of 188.8m new 7.5 per cent convertible cumulative redeemable preference sharesof £1 each at par. The issue, of one new convertible preference for every five ordinary shares and five new convertible preference for every 11 existing convertible preference, will raise up to £184m.

Interim figures from Carlton Communications left the shares 13 higher at 449p. Profits were down 29 per cent to £46m, but Mr Michael Green, the chairman, said there were indications of improvements in the television and video indus*tries and that 1992 should show* a return to growth.

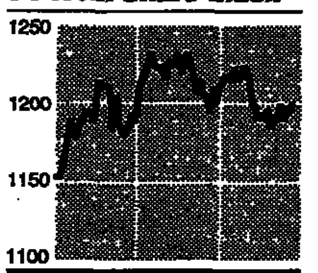
US-quoted Scott Pickford replied to more than doubled annual profits with a rise of 3¼ to 21¼p.

Westpool Investment Trust responded strongly to bid terms from associate London Merchant Securities. The move is designed to simplify the shareholding structure of LMS, Lord Rayne's flagship company, and wind down Westpool, whose principal asset is a 50.8 per cent holding in LMS. Westpool closed 20 up at 127p.

Higher annual profits than expected from Mercury Asset Management, owned 75 per cent by SG Warburg, surprised the market. The 11 per cent increase in the dividend total was also unexpected and the shares raced higher in a thin market to end 67 ahead at 710p.

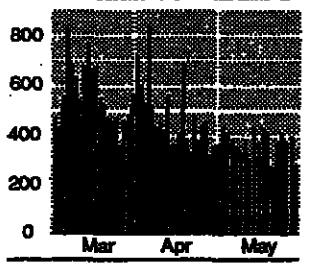
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 25.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			
BP	5,500	324	+3
British Steel	5,400	126½	+½
British Telecom	6,700	360½	+2½
Bunzl	186	84	
Burmah Castrol	1,800	536	−18
Burton	2,800	73	−1
Cable & Wire.	3,600	506	+5
Cadburys	806	363	+1
Calor Group	19	391	−1
Carlton Comms.	2,600	449	+13
Coats Viyella	4,400	142	+1
Comm. Union	800	467	+4
Cookson	3,289	115½	+2½
Courtaulds	1,089	397	+4
[illegible]			
Inchcape	378	532	−2
Kingfisher	892	470	−1
Ladbroke	2,800	259	+3
Land Securities	571	510	−3
Laporte	308	632	+6
Legal & General	720	405	+5
Lloyds Abbey	551	305	+3
Lloyds Bank	1,500	362	+7
LASMO	505	321	+4
London Elect.	527	213	+1
Lonrho	1,000	244	−2
Lucas	1,100	165	+1
MB Caradon	629	215	−3
MEPC	429	490	−5
[illegible]			
Reuters	551	987	+1
Rolls Royce	6,100	150	+2
Rothmans	52	673	+6
Ryl Bk Scotland	1,200	193	+5
Royal Insurance	606	430	+3
Saatchi	4,900	19½	
Sainsbury	698	373	
Scottish & New.	597	392	+4
Sears	2,400	79	−1
Sedgwick	927	251	+5
Seaboard	184	212	+1
Severn Trent Water	581	285	+2
Shell Transport	2,809	507	+3
Siebe	503	395	+5
[illegible]			
Utd. Newspapers	1,200	347	+3
Water Package Uts.	2	£3008	+8
Wellcome	635	507	−1
Welsh Water	634	331	+2
Wessex Water	395	323	
Whitbread 'A'	257	497	+2
Wiggins Teape	359	235	−1
Williams Hldgs.	1,200	283	−1
Willis Corroon	1,400	289	+1
Wimpey	985	200	+1
Yorkshire Elect.	185	244	
Yorkshire Water	989	324	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

EXPIRY DAY for a number of equity option contracts and a solid day on the underlying index provided some encouragement to derivative markets yesterday.

On Liffe, the June FT-SE future traded around its fair value – the market's estimate of carrying costs and pending dividends – of 9 points above the index, and was pushed up by the underlying index.

Traders said that at one stage independent traders squeezed the June contract to a premium of only 2½ above the index but it later recovered to the 2,500 level.

Then, institutional sellers came in, and in spite of occasional breaks through to 2,504 the contract remained at what was seen as a psychological sticking point. The June contract closed at 2,498, just below fair value. Turnover was almost twice as heavy as on Tuesday but still well down on the previous quarter.

The traded options market was boosted by the expiry of a number of equity contracts and that was seen to be behind the volume in all but two of the top eight contracts.

The chief exception was Asda, which also saw heavy turnover in the equity market and has been surrounded by bid speculation recently. It was the top trader with 3,437 lots exchanged.

Total turnover of 34,469 was more than double Tuesday's

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (72).
BRITISH FUNDS (6) Treas. 2pc I-L 1992, Treas. 2pc I-L 1996, Treas. 2½pc I-L 2001, Treas. 2½pc I-L 2003, Treas. 2pc I-L 2006, AMERICANS (3) Bowater, Hasbro, Utilitech, CANADIANS (1) Bk. Nova Scot., BANKS (3) Brown Shipley, Commerzbank, Secure Trust, CHEMICALS (4) Cambridge Isotope, Halstead, Plysu, Wardle Storeys, STORES (5) Essex Furniture, Jacques Vert, Reject Shop, Ritz Design, Smith (WH) A, ELECTRICALS (3) Elect. Data Processing, Macro 4, Nokia Pf., ENGINEERING (1) Atlas Copco B, FOODS (3) Assoc. Brit. Foods, Northern Foods, Watson & Philip, INDUSTRIALS (13) Alfa-Laval B, Astra B, Bodycote, Colorgen, Community Hospitals, Daimler-Benz, Electrolux, Kynoch (G & G), Le Creuset, Cradleid, Scott Pickford, Serco, Stora B, MOTORS (1) Volvo B, PAPERS (2) Jarvis Porter, Repola, PROPERTY (1) London Merchant Sec. Deld., SOUTH AFRICANS (1) Gold Fields Prop., TEXTILES (1) Dawsongroup, TRUSTS (12) Archimedes Inc., Derby Inc., Latin American, Do. Warrants, Law Debenture, Mercury Asset Mgmt., Murray Smaller Mkts., Personal Assets, RIT Cap. 2½pc Cv. 2000, Rathbone Bros., Tor, Westpool, OILS (3) LASMO 9¾pc Pf., Norsk Hydro, Shell Trans. 7pc Pf., MINES (10) Ang. Amer. Coal, Anglo Amer., Anglovaal, Beatrix Mines, East Daggs, Endeavour, Hartebeest, Kinross, Precious Metal Aust., Western Deep.
NEW LOWS (25).
AMERICANS (1) Pacific Agric., BUILDINGS (2) NSM, Westbury, STORES (2) Sears, Upton & Southern, ELECTRICALS (1) Synapse Computer, FOODS (1) Ashley, INDUSTRIALS (4) BLP, G.C.F., Gestetner, Pilkington Warrants, INSURANCE (1) Trade Indemnity, LEISURE (3) Anglia TV, TVS Ent., TV-am, NEWSPAPERS (1) Gardner (DC), PAPERS (1) JMD, PROPERTY (5) Greycoat, Peel, Treacherwood, Waterglade, Wates City of London, OILS (1) LASMO, MINES (2) Antofagasta 5pc Pf., Panconti.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 10pc Cv '92 ‡‡	[illegible]	.....	10.02	[illegible]
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	.....	11.00	[illegible]
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	.....	8.11	[illegible]
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	.....	12.58	[illegible]
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	.....	10.03	[illegible]
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	.....	8.16	[illegible]
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	.....	10.49	[illegible]
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.16	[illegible]
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	12.09	[illegible]
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	.....	13.01	[illegible]
[illegible]	[illegible]	Treas 8¼pc 1993	[illegible]	[illegible]	8.52	[illegible]
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.04	[illegible]
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	11.99	[illegible]
[illegible]	[illegible]	Funding 6pc 1993‡‡	[illegible]	.....	6.43	[illegible]
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.80	[illegible]
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	8.87	[illegible]
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	[illegible]	13.17	[illegible]
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	[illegible]	12.51	[illegible]
[illegible]	[illegible]	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	10.05	[illegible]
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	11.81	[illegible]
[illegible]	[illegible]	Treas 9pc 1994‡‡	[illegible]	[illegible]	9.34	[illegible]
[illegible]	[illegible]	Treas 12pc 1995	[illegible]	[illegible]	11.41	[illegible]
[illegible]	[illegible]	Exch 3pc Gas 90-95	[illegible]	[illegible]	3.42	[illegible]
[illegible]	[illegible]	Exch. 10¼pc 1995	[illegible]	[illegible]	10.26	[illegible]
[illegible]	[illegible]	Treas 12¾pc 1995‡‡	[illegible]	[illegible]	11.74	[illegible]
[illegible]	[illegible]	Treas. 14pc '96	[illegible]	[illegible]	12.47	[illegible]
[illegible]	[illegible]	Treas. 9pc 1992-96‡‡	[illegible]	[illegible]	9.34	[illegible]
[illegible]	[illegible]	Treas 15¼pc 1996‡‡	[illegible]	[illegible]	12.95	[illegible]
[illegible]	[illegible]	Exch 13¼pc 1996‡‡	[illegible]	[illegible]	12.00	[illegible]

Five to Fifteen Years

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Conversion 10pc 1996	[illegible]	[illegible]	10.13	[illegible]
[illegible]	[illegible]	Do. 10pc 1996 B	[illegible]	.....	10.11	[illegible]
[illegible]	[illegible]	Treas 13¼pc 1997‡‡	[illegible]	[illegible]	11.92	[illegible]
[illegible]	[illegible]	Exch 10½pc 1997	[illegible]	[illegible]	10.45	[illegible]
[illegible]	[illegible]	Treas 8¾pc 1997‡‡	[illegible]	[illegible]	9.43	[illegible]
[illegible]	117	Exch 15pc 1997	[illegible]	.....	12.54	[illegible]
[illegible]	[illegible]	Exch. 9¾pc 1998	[illegible]	[illegible]	10.07	[illegible]
[illegible]	[illegible]	Treas 6¾pc 1995-98‡‡	[illegible]	.....	7.95	[illegible]
[illegible]	[illegible]	Treas. 15½pc '98‡‡	[illegible]	.....	12.46	[illegible]
[illegible]	[illegible]	Exch. 12pc 1998	[illegible]	[illegible]	11.16	[illegible]
[illegible]	[illegible]	Treas 9½pc 1999‡‡	[illegible]	.....	9.91	[illegible]
[illegible]	[illegible]	Exch. 12¼pc 1999	[illegible]	[illegible]	11.24	[illegible]
[illegible]	[illegible]	Treas. 10½pc 1999	[illegible]	.....	10.45	[illegible]
[illegible]	[illegible]	Conversion 10¼pc 1999	[illegible]	[illegible]	10.35	[illegible]
[illegible]	[illegible]	Conversion 9pc 2000‡‡	[illegible]	.....	9.70	[illegible]
[illegible]	[illegible]	Treas. 13pc 2000	[illegible]	.....	11.44	[illegible]
[illegible]	[illegible]	Do. 13pc 2000 A	[illegible]	.....	11.44	[illegible]
[illegible]	[illegible]	Treas 10pc 2001	[illegible]	.....	10.22	[illegible]
[illegible]	[illegible]	Treas. 14pc '98-01	[illegible]	[illegible]	12.09	[illegible]

BRITISH FUNDS – Contd

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 9¾pc 2002	[illegible]	.....	10.16	10.38
[illegible]	[illegible]	Treas 10pc 2003	[illegible]	[illegible]	10.25	10.35
[illegible]	102	Treas. 11½pc 2001-04	[illegible]	.....	10.89	10.56
[illegible]	[illegible]	Funding 3½pc '99-04	[illegible]	.....	6.10	9.15
[illegible]						

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
102	[illegible]	African Dv Bk 11¼ Ln 2010	[illegible]	[illegible]	11.21	11.21
[illegible]	[illegible]	Asian Dev Bk 10¼pc Ln 2009	[illegible]	[illegible]	10.77	10.86
[illegible]	[illegible]	Int-Am Dev Bk 12½pc 2003	[illegible]	.....	11.39	10.99
[illegible]	[illegible]	Do. 9½pc Ln 2015	[illegible]	[illegible]	10.84	10.94
[illegible]						

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

Restructure at Black and Decker Europe

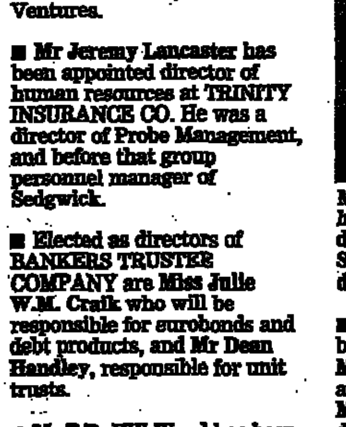
■ BLACK AND DECKER EUROPE is changing its group structure and creating a board responsible for running European operations. The members of the board, all of whom will be based in Slough, will be: president, Mr Roger Thomas; vice president, commercial operations, Mr Fritz van den Bergh; vice president, marketing and product planning, Mr Steve Simms; vice president, manufacturing and product development, Mr David Fanthorpe; vice president, finance and MIS, Mr Brian Rivers; vice president, human resources, Mr Philip Evans; and vice president, total quality, Mr Gerhard Rolf. This last is a new post created to help all operations to adopt the total quality and quick response concepts.

■ SEMA GROUP has appointed Mr David C. Warburton as group finance director. He was finance director of Sutcliffe Speakman.

■ BURSON-MARSTELLER, London, has appointed to the board Ms Irene Eadie, UK business manager; Ms Suzee Foster, director of staff development; and Mr Hamish McFall, head, investor relations group - he has also been appointed to the board of Burson-Marsteller Financial.

■ J. WIMPENNY & CO, Huddersfield, part of Willmott Dixon, has appointed Mr Gordon Rayner as sales director.

■ HALL & TAWSE has appointed Mr Stephen Townsend as marketing manager.



■ OUTOKUMPU METALS & RESOURCES OY of Finland has established a new copper resources entity, and appointed Mr Heikki Solin *(left)* as managing director and chief executive officer of Outokumpu Copper Resources. He is currently managing director of Outokumpu Metals & Resources International, and will continue to be based in Wimbledon. Mr David Newbold becomes finance director of the new company, and Mr Ken Sangster has been appointed technical director. Mr Graham Mascall *(right)*, who was business development director, succeeds Mr Solin as managing director of Outokumpu Metals & Resources International. Mr Michael A.L. Cook, chief economist, joins the board.

■ Mr Douglas Baker has been appointed an executive director of COUNTY NATWEST SECURITIES. Ms Penny Freer, Mr David Butler, Mr Michael Crawshaw, Mr Tony Dellow, Mr Henry Kenner, Mr Steve Morgan, Mr Roger Nagioff, Mr John Reynolds, Mr Richard Scott, Mr Peter Watson and Mr Adam White have been promoted to director. Mr Barry Moore has been appointed a director of County NatWest Ventures.

■ Mr Jeremy Lancaster has been appointed director of human resources at TRINITY INSURANCE CO. He was a director of Probe Management, and before that group personnel manager of Sedgwick.

■ Elected as directors of BANKERS TRUSTEE COMPANY are Miss Julie W.M. Craik who will be responsible for eurobonds and debt products, and Mr Dean Handley, responsible for unit trusts.

■ Mr P.D. Hill-Wood has been appointed chairman of THE RIVER PLATE & GENERAL INVESTMENT TRUST.

■ THE UK CO-OPERATIVE COUNCIL has appointed as executive director Mr Peter Walker who will be seconded from his post as head of business development and public relations at the Co-operative Bank. He is a director and trustee of Industrial Common Ownership Finance, and chairman of Co-operative Enterprise North West.

Mr John F. Wood *(pictured)* *has been appointed managing* director of BARTON ABRASIVES, Tipton. He was sales director of IMI Rolled Metals.

■ Following the management buy-out of MAYOR, Uckfield, Mr James M. Omand has been appointed chairman; Mr Alan McCarthy becomes managing director; Mr Paul Martin, marketing director; Mr Richard Duncan, manufacturing director; and Mr Stephen Lacey, financial director.

■ The London branch of NORDDEUTSCHE LANDESBANK GIROZENTRALE has appointed Mr John M. Omond as deputy general manager responsible for credit and business development.

LONDON SHARE SERVICE

AMERICANS

1991 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30¼	20⅞	Abbott Laboratories	29⅞	.....	$1.00	-	2.0
363p	257p	♦Allegheny & W 1c	323p	−2	30c	-	5.5
980p	667p	Amdahl 5c	917p	−14	10c	-	0.6
37¾	25⅛	Amer. Cyanamid $5	37½	.....	$1.50	-	2.4
17¾	9⅜	Amer Express 60c	13⅝	.....	92c	-	4.1
22⅞	15⅛	American T. & T. $1	20⅝	.....	$1.32	-	3.8
38⅞	32½	Ameritech $1	33⅝	.....	$3.16	-	5.6
23¼	12⅞	BankAmerica $1½	22⅛	.....	$1.20	-	3.2
29⅝	20⅞	Bankers N.Y $1	28⅞	.....	$1.52	-	10.2
29⅞	24¼	Bell Atlantic $1	26⅜	.....	$2.36	-	5.3
31¼	25	BellSouth Corp	27⅞	−¼	$2.68	-	5.7
8⅞	6⅞	♦Bethlehem Steel $8	8⅜	.....	40c	-	2.8
1575p	1046p	Bowater Inc	1575p	+63	$1.20	-	4.5
8⅝	4½	Brunswick 75c	7¼	.....	44c	-	3.4
52¼	37⅞	CPC Intnl. 25c	50⅞	.....	$2.00	-	2.4
852p	420p	California Engy.	736p	.....	-	-	-
50	28¼	Campbell Soup 15c	46⅝	.....	$1.16	-	1.5
11½	5⅞	Chase Manhattan $12½	10⅞	.....	$1.20	-	6.8
8⅞	5½	Chrysler $6¼	7⅞	.....	60c	-	4.9
9⅝	5⅞	Citicorp $1	8⅞	.....	$1.00	-	6.6
24¼	21⅞	Colgate-Palmolive $1	22⅞	.....	$1.06	-	2.7
830p	438p	Cont'l Bank Corp $4	760p	−27	$1.00	-	7.8
19⅝	13⅞	Dana Corp. $1	18⅛	.....	$1.60	-	5.0
1056p	203p	Data General	996p	+36	-	-	-
20¾	12⅞	Dial Crop. $1.5	20⅞	.....	$1.40	-	4.1
29	20⅞	Dun & Bradstreet $1	26⅞	.....	$2.16	-	4.7
35⅝	24⅛	Eaton Corpn. 50c	31⅝	.....	$2.20	-	-
7½	5½	Echlin Inc	6⅝	.....	70c	-	6.2
18⅝	14⅞	FPL Group 1c	18⅛	.....	$2.40	-	7.8
28⅞	17⅞	Fluor Corp 62½pc	27⅝	.....	32c	-	0.7
19⅝	13⅝	Ford Motor $1	18⅞	.....	$1.60	-	3.1
43⅞	28⅞	Gen. Elect. 63c	41⅝	.....	$2.04	-	2.9
477p	270p	♦General Host Corp $1	473p	+4	34c	-	4.2
45¾	21⅛	Gillette $1	21⅛	.....	62c	-	1.7
91p	35p	Gt American Bank $1	43p	.....	-	-	-
		For Greyhound Dial Corp. see Dial Corp.					
17½	794p	Hasbro Inc 50c	17½	+¼	24c	-	0.8
36½	21⅛	Honeywell $1½	32⅞	.....	$1.50	-	2.7
22⅝	17⅞	Houston Inds.	21⅛	−¼	$2.96	-	8.3
72⅞	55⅞	IBM Corpn $1¼	60⅛	.....	$4.84	-	4.7
28⅞	18⅞	Ingersoll-Rand $2	26⅞	.....	$1.32	-	3.0
26¼	16⅛	Lockheed Crpn. $1	24⅝	+⅛	$1.80	-	4.4
24⅝	18⅛	Louisiana Land 15c	20⅝	.....	$1.00	-	2.9
2000p	1245p	Lowe's 50c	1827p	+43	52c	-	1.7
16⅝	9⅛	Manuf. Hanover $1	13⅞	.....	$3.28	-	13.9
24⅞	10⅞	Merrill Lynch $1	21⅛	.....	$1.00	-	2.7
28⅞	21⅛	Molex Inc	25⅞	.....	4c	-	0.1
31½	21⅞	Morgan (JP) $2½	30⅞	.....	$1.98	-	3.9
40⅞	25⅞	Morris (Philip)	38⅞	.....	$1.72	-	2.6
43¼	34	NYNEX $1	40⅛	−⅛	$4.56	-	6.7
89p	31p	♦Pac. Agricultural	31p	−11	-	-	-
21⅝	11⅞	Pall Corp. 25c	21¼	+⅛	h44c	-	1.2
44½	33¼	Pennzoil 83 1/3c	38¼	.....	$3.00	-	4.6
34½	24⅞	Quaker Oats $5	32⅞	.....	$1.56	-	2.8
36⅞	24⅞	Rep NY Corpn $5	33⅞	.....	$1.40	-	2.5
16⅝	12⅝	Rockwell Intl $1	15⅞	.....	86c	-	3.6
23⅞	12⅞	Sears, Roebuck 75c	22⅞	.....	$2.00	-	5.3
32	25⅝	Southwestern Bell $1	28⅝	−¼	$2.84	-	5.9
20¼	14⅞	Sun Co. Inc. $1	18⅞	.....	$1.80	-	5.8
26⅞	21⅛	Tenneco $5	24⅛	.....	$3.20	-	7.2
40½	29⅞	Texaco $6.25	36⅞	.....	$3.20	-	5.1
26⅛	17¼	Texas Instr. $1	21⅛	.....	72c	-	2.0
71½	41⅞	Time Warner $1	65⅞	.....	$1.00	-	0.9
14¾	8⅞	TRINOVA Corp	12⅞	.....	68c	-	3.1
19⅞	14⅛	USX $1	19⅞	.....	$1.40	-	4.3
390p	250p	♦Unilab	378p	−12	-	-	-
27½	22⅞	Utd. Technologies	25⅛	.....	$1.80	-	4.2
71p	42p	♦Utilitech Inc	71p	+11	-	-	-
23	18⅛	US West	20⅞	−⅛	$2.08	-	5.9
23⅝	16⅞	Waste Management $1	22⅛	.....	44c	-	1.2
1925p	1053p	Whirlpool $1	1791p	+29	$1.10	-	3.6
19⅞	13½	♦Woolworth $3½	17⅞	.....	$1.08	-	3.7

CANADIANS

1991 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
10p	8½p	♦Abbot Energy Corp	10p	.....	-	-	-
1179p	953p	♦Amer. Barrick Res	1170p	+43	8c	-	0.3
19⅛	13	Bk. Montreal	18⅞	−¼	$2.12	-	5.7
875p	536p	Bk. Nova Scot.	875p	+25	$1.00	-	5.8
768p	639p	♦BC Gas $1	763p	−5	60c	-	4.0
21⅞	17¼	BCE	21⅛	−⅛	$2.56	-	6.2
1013p	647p	♦Brascan	994p	−19	$1.04	-	5.3
36p	19½p	♦Breakwater Res.	28p	.....	10c	-	18.2
1645p	1180p	Can. Imp Bank	1619p	−5	$1.32	-	4.2
10⅞	855p	Can. Pacific	956p	−1	92c	-	4.9
36	30	Do. 4pc Deb £100	35	.....	04%	-	13.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

1991 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
4	2½	Croesus Mining N.L.	3½	+¼	-	-	-
[illegible]							

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where *possible, are updated on half-yearly figures. P/Es are calculated* on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but *including estimated extent of offsettable ACT.* Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ *Not officially UK listed; dealings permitted under rule 535(4)(a)*
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for *dividends or ranking only for restricted dividend.*
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ǁ No par value

B.Fr. Belgian Francs. *Fr.* French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 β	650	......
Finlay Pkg. 5p β	27	......
Holt (Jos) 25p β	1820	......
Helton Hldgs. γ	48	-3

IRISH

Cap. 8½% Ln. 1991	£99¼	......
9pc Cap Ln. 1996	£98¾	+¼
Fin. 13% 97/02	£115	......
Arnotts	160½xd	......
IRG	145	......
United Drug	155	-5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp.	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	57
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	28
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	32
Hanson	19
Hawker Sidd.	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	49

Property	
Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils	
Aviva Petim	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petim	10
Gaelic Res.	1
Premier	6
Shell	41
Tuskar Res.	2
Ultramar	30

Mines	
Lonrho	21
RTZ	48

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	47 02	47 02xd	50.23	-0.10	6 91
Gilts & Fixed Int	6	112 7	112.7xd	119.5	+0.2	9 62
High Inc Equity	6	135.4	139 1xd	147 9	-0 1	5 75
Worldwide Bond	6	202.8	202.8xd	214.9	-0.1	6 98
Capital Growth						
American Growth	6	194 6	194 6	208.1	+1.2	1.28
Asian Pacific	6	127 6	130.2	138.5	+0 1	.14
Assets & Earnings	6	172.7	176.5xd	187 7	+0.2	3.16
Capital Reserve Acc	0	104 7	104 7	104 8	+0 1	7 24
Capital Reserve Inc	0	82.80	82.80xd	82.86	+0.09	7.24
Commdty & Energy	6	74.62	74 62xd	79 80	-0.32	.94
1992 Enterprise	6	64 06	64 06	68.51	+0.14	2.62
Euro Capital Acc	6	89 96	89 96	96.21	+0.63	1 41
Euro Capital Inc	6	85.95	85.95xd	91.92	+0.61	1 41
General	6	168 7	168.7xd	180 4	.....	2.77
Japan	6	99 42	99 42	106.3	+0 1	-
Mastertrust	6	89 06	89 06	95 25	+0.09	2.25
UK Growth Acc	6	158 8	158.8	169 8	-0 8	2.92
UK Growth Dist	6	102.1	102.1xd	109 1	-0 6	2.94
US Emerging Cos	6	64.90	64.90	69 41	+0.45	-
Income & Growth	6	296 4	296 4xd	317 0	+0.5	4 42
Ethical	6	50.05	50.05	53.52	-0 10	3 05
International	6	61.42	62.25	66.22	+0.05	1.51
Dividend & Growth	6	49.15	50.35	53.56	+0 11	5 68
Global Gwth & Sec	6	51.28	51.57	54.86	-0.10	1 82

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

UK Small Cos	0	969.00	969.00	1024.00	...	-

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Amer Inc & Growth	5¼	29.74	29.74xd	31 58	.....	2.53
Cash	-	51.18	51.18	51.18	+0.01	12.54
European	5¼	73.25	73.25	77 77	+0 09	0 00
European Income	5¼	75 77	76 15	80 33	+0.19	1.53
Exempt	1	747 6	747 6xd	773.2	+3 4	5.32
Exempt Income	3¼	169 1	169.1	179.5	+0 6	4.72
Exempt American	3¼	351.5	351.5xd	366.2	-0.3	1.56
Exempt Pacific	3¼	230.1	230.1	241 0	+0 1	1.61
Extra Income	5¼	39 45	39 45	42.59	+0.14	5 88
Far East Emerg Econs	5¼	52.69	52.69	56 62	-0.03	1.13
Fund Inv Tst	5	113.4	115 2xd	122 9	+0.3	1 40
Fund Inv Tst Acc	5	180.5	183.3xd	195.6	+0.5	1.40
Gilt & Fixed Int	5¼	16 58	16 82	17 96	-0.01	11.07
Japan	5¼	160 6	160.6	170 3	+0.1	0 00
Pacific	5¼	37 16	37 22xd	39.86	+0.03	0.38
Property Share	5¼	51.27	52 93	56.50	-0.34	4.96
Smaller Companies	5¼	37.15	37.15	39 65	....	2.43
UK Growth	5¼	33.62	33 62xd	36.27	+0 09	3 85
World Growth	5¼	47 61	47 61xd	50 82	+0.06	0.80

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

Exempt Unit Tst	4	117.45	117 45	125 14	+0.25	2.60
Europ Smllr Cos	5¼	228.90	228.90	248.29	-0.23	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1500)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	292.1	292.1	311.7	+0.1	1.38
(Accum Units) ♥	5	341.7	341.7	364.6	+0.1	1.38
British §	5	789.0	789.0	834.7	+1.0	5.76
(Accum Units) §	5	1265.1	1265.1	1336.3	+1.6	5.76
European §	5	333.3	333.3	354.8	-0.4	1.50
(Accum Units) §	5	357.2	357.2	380.3	-0.4	1.50
Japan §	5	117.6	117.6	125.0	+0.1	-
(Accum Units) §	5	118.5	118.5	126.0	+0.2	-
New Pacific §	5	166.6	166.6	177.2	-0.5	2.14
(Accum Units) §	5	167.9	167.9	178.6	-0.5	2.14
PEP	5	132.1	134.6	142.5	+0.2	3.54
Mngd Equity	5	119.4	121.1	128.2	+0.4	3.64
Mngd Equity Acc	5	123.5	125.3	132.6	+0.4	3.64
Mngd Cash §	5	96.73	96.73	101.5	----	11.71
(Accum Units)	5	112.1	112.1	117.6	----	11.71
Mngd Fixed Int Acc	5	118.5	118.5	125.4	+0.1	6.66
Majority Stg	1	100.66	100.66	101.66	+0.03	11.16
Majority Stg Acc	1	103.47	103.47	104.50	+0.03	11.16
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International May 15	0	49.98	49.98	50.38	----	3.43
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Sun Alliance House, Horsham 0403 56293						
Equity	6	587.3	587.3	628.1	-6.0	3.47
North America	6	75.91	75.91	81.19	+0.05	1.03
Far East	6	93.49	94.53	101.1	----	0.94
W'wide Bond	6	45.48	45.48xd	48.36	-0.14	6.13
W'wide Financial	6	34.81	34.81	37.23	+0.27	5.15
W'wide Technology	6	41.15	41.15	44.01	+0.37	0.94
European	6	67.69	67.69	72.39	-0.21	1.21
Equity Income	6	70.19	71.09	76.03	+0.30	5.31
Portfolio	6	57.71	57.71xd	61.72	+0.07	3.01
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	6	25.30	25.30	27.06	+0.21	0.50
Managed Assets	6	102.32	102.88	110.04	+0.27	4.33
UK Income	6	33.66	34.21	36.59	+0.08	4.80
UK Growth	6	32.64	33.88	35.38	+0.07	3.50
Worldwide Growth	6	23.89	23.89xd	25.56	+0.22	1.20
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						
Admin & Enq: 071-606 4044 Dealing: 071-606 6010						
Master Portfolio	5¼	34.72	34.72xd	37.13	+0.06	1.91
Amer Growth Acc	5¼	43.63	43.63	46.64	+0.27	0.70
Cap Protector Acc	5¼	33.99	33.99xd	34.35	+0.06	4.67
Cap Protector Inc	5¼	30.53	30.53xd	32.65	+0.06	4.67

	Bid Price	Offer Price	+ or -	Yield Gross
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American May 29	152.4	156.6	+2.5	1.60
Managed May 29	139.6	144.8	-1.3	5.97
Japan May 30	118.4	123.7	-0.01	0.08
Sm Jap Cos May 24	570.9	586.6	-1.8	0.09
Fidelity Investment Services Ltd				
Mngd Pens P'folio	129.1	133.5	+0.30	3.80
Robert Fleming Asset Mngmt Ltd				
Am Exempt	£459.40	466.27	+1.11	1.69
Gen Exempt	£128.89	131.81	+0.07	3.77
Jap Exempt	£478.73	486.19	-4.57	0.86
Pacific Exempt	£97.71	99.75	-0.04	2.39
Contl Euro Exempt	£98.52	100.50	-0.14	2.07
Indexed Exempt May 23	£125.27	128.98	----	3.07
Amr Indxd Exe May 23	£100.84	101.86	----	2.94
Japn Indxd Ext May 23	£65.95	67.28	----	0.63
Euro Indxd Ext May 23	£96.12	98.06	----	2.86
P'sas Indxd Ext May 23	£98.31	100.49	----	2.22
Funds in Court*				
Capital May 22	490.86	494.47xd	----	2.48
Gross May 22	188.97	190.50	----	9.71
High Yield May 22	295.65	298.03	----	6.93
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	51.82	52.87xd	+0.15	3.69
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1183.0	1277.0	----	-
Mngd Pens (Acc)	67.6	72.1	----	-
Lazard Brothers & Co. Ltd				
Property Jan 3	£2360.0	2675.0	----	6.00
Inc Gth Prp Apr 16	£1325.0	1460.0	----	7.20
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's May 30	£3640.3	3809.9	-7.20	4.38
European May 30	£543.3	549.1	+6.20	2.20
American May 30	£341.9	343.6	-0.30	2.09
Far Eastern May 30	£548.5	558.0	-4.10	1.17
Australian May 30	£134.6	138.9	-5.70	3.53
Ridings May 13	£43.6	45.6	----	3.28
Northumbria May 12	£140.1	148.4	----	2.98
North West May 12	£214.1	230.5	----	3.77

	Bid Price	Offer Price	+ or -	Yield Gross
Assicurazioni GENERALI SpA				
117 Fenchurch St, London EC3M 5DY 071-488 0733				
Hambro Generali UK Gth	142.0	149.5	......	-
Hambro Generali Ppty	141.0	148.5	......	-
Hambros Canadian	105.3	110.9	......	-
Hambros Equity Inc	135.8	143.0	......	-
Hambros European	149.3	157.2	......	-
Hambros High Income	150.7	158.7	......	-
Hambros Jap & Far East	141.8	149.3	......	-
Hambros Nth American	159.3	167.7	......	-
Hambros Scandinavian	166.8	175.6	......	-
Hambros Smaller Cos	143.7	151.3	......	-

	Bid Price	Offer Price	+ or -	Yield Gross
Legal & General (Unit Pensions) Ltd				
Kingswood House, Kingswood, Tadworth, Surrey 0737 370370				
Ex. Bldg. Soc. Lnkd	153.9	162.1	----	-
Do. Accum	191.6	201.7	+0.1	-
Exempt Cash Init	275.3	289.8	+0.1	-
Do. Accum	431.7	454.5	+0.1	-
Exempt Eqty. Init	845.6	890.2	+2.5	-
Do. Accum	1325.9	1395.7	+3.8	-
Exempt Euro Init	168.5	177.4	+0.4	-
Do. Accum	203.2	213.9	+0.4	-
Exempt Far East'n Init	216.2	227.6	-0.2	-

	Bid Price	Offer Price	+ or -	Yield Gross
Merchant Investors Assurance Co Ltd – Contd.				
MI Baring Eastern	146.7	154.4	-0.3	-
MI Fidelity Fd	146.2	153.8	+0.1	-
MI Fid American	148.4	156.2	+0.3	-
MI Fid European	200.6	211.1	+0.7	-
MI Fid Int Spec Sits	183.8	193.4	----	-
MI Fid Japan	132.8	139.7	+0.6	-
MI Fid Pacific	164.8	173.4	+0.8	-
MI Fidelity UK	149.8	157.6	-0.2	-
MI Fram Inc & Growth	202.1	212.7	+5.2	-
MI Fram Intl Growth	167.6	176.4	----	-

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	104.8	110.3	+0.1	-
Pension Managed Fd	102.1	107.5	-----	-
Life Deposit Fd	107.0	112.6	...	-
Pension Deposit Fd	112.1	118.0	+0.1	-

National Financial Management Corp PLC

72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	108.1	118.9	-0.1	-
Managed Growth	134.8	148.2	+0.1	-
Managed Opportunity	136.2	150.2	+0.3	-
NFMC Target Financial	99.5	107.1	+0.5	-
Pension Funds				
Managed Cautionary	118.2	129.6	-0.1	-
Managed Growth	142.4	156.5	+0.1	-
Managed Opportunity	136.7	150.6	+0.2	-
NFMC Target Magd Pen	1480.2	1609.0	+5.3	-

National Mutual Life

The Priory, Priory Pl, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Barrester Pension Funds				
Managed	159.5	167.9	-0.2	-
UK Equity	165.5	174.3	+2.6	-
Overseas Equity	135.8	143.0	+2.1	-
Fixed Interest	143.6	151.2	+0.1	-
Property	129.4	136.3	-1.4	-
Index Linked	148.4	156.3	+0.9	-
Deposit	156.2	164.5	+0.4	-
With Profits (B)	128.2	135.0	+0.2	-

National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	348.3	366.7	+0.6	-
UK Equity	438.0	461.1	+1.1	-
Overseas Eq	344.5	362.7	+0.6	-
Americas	279.2	293.9	+0.5	-
Far East	369.1	388.6	...	-
Property	193.8	204.1	-0.2	-
Fixed Int	256.7	270.3	+0.1	-
Indexed Gilt	155.6	163.8	+0.3	-
Deposit	181.1	190.7	.....	-
Pension Fund (Accum Units)				
Managed	492.7	518.7	+0.8	-
UK Equity	578.1	608.6	+1.6	-
Overseas Eq	572.5	602.7	+0.8	-
Americas	362.9	382.1	.....	-
Far East	610.9	643.1	-1.1	-
Property	244.6	257.5	-0.2	-
Fixed Int	315.3	331.9	+0.2	-
Indexed Gilt	171.1	180.2	+0.4	-
Deposit	253.6	267.0	+0.1	-
NPI Pensions Management Ltd				
Managed Fund	1092.2	1111.7	.....	-

Prices May 1 Next dealing June 3

Norwich Union Asset Management Ltd

PO Box 140, Norwich NR3 1PP 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	71.5	75.2	+0.2	-
Stock Market Mngd Fund	70.3	74.0	+0.3	-
Equity Fund	78.0	82.1	+0.3	-
International Fund	63.6	67.0	+0.2	-
European Fund	65.3	68.8	-0.1	-
North American Fund	72.1	75.9	+0.2	-
Pacific Fund	68.9	72.6	...	-
Property Fund	82.6	86.9	...	-
Fixed Interest Fund	57.9	60.9	...	-
Index Linked Sec Fund	62.5	65.7	+0.1	-

Prosperity Life Assurance Ltd

1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	151.0	159.5		-
Accum Equity	216.0	228.0	+0.5	-
Accum Managed	224.5	237.0	+0.5	-
Accum Five Star	169.0	178.5	-0.5	-
Accum World	124.0	132.0	+2.5	-
Accum Lifeline	109.5	109.5	+0.4	-
Pens Acc Equity	233.0	246.0	+0.5	-
Pens Acc Managed	280.0	295.0	..	-
Pens Acc Intl	211.0	222.5	+0.5	-
Pens Acc Deposit	198.0	209.0	+0.5	-
Pens Acc Five Star	185.0	195.5	-0.5	-

Providence Capital Life Assc. Co Ltd

2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	224.4	236.6	+0.7	-
UK Fixed Int Acc	171.6	181.1	.....	-
Intl Equities Acc	178.8	188.7	+0.1	-
UK Managed Acc	172.5	181.9	+0.1	-
Property Acc	224.4	236.8	.	-
Money Acc	128.8	135.9	+0.1	-
Special Market Acc	137.1	144.7	-1.1	-
Japan Equity Acc	103.9	109.7	+0.2	-
North American Acc	105.6	111.4	+1.0	-
Pacific Acc	95.0	100.3	-0.4	-
Technology Acc	119.4	126.0	-3.7	-
Nat Resources Acc	55.6	58.7	+1.1	-
European Acc	103.3	109.0	+0.4	-
Residential Prop Acc	96.3	101.6	...	-
Swiss Equities Acc	36.0	38.0	-0.1	-
Hong Kong Acc	62.5	66.0	+0.3	-
UK High Inc Eq Acc	73.2	77.3	+0.2	-
Int Fixed Interest Acc	56.3	59.4	..	-
Int Managed Acc	56.9	60.0	..	-
HIP Managed Acc	114.1	120.3	-0.2	-
HIP Managed II Acc	99.0	104.4	-0.1	-
HIP Managed III Acc	105.5	111.2	-0.1	-
Total Investment Bond				
UK Equity Initial		152.9	+0.4	-
UK Fixed Int Initial		117.2	+0.1	-
Intl Equities Initial		121.2	+0.1	-
UK Managed Initial		117.8	+0.1	-
Property Initial		154.3	.	-
Money Initial		88.3	...	-
Special Market Initial		106.7	-0.8	-
Japan Equity Initial		80.9	+0.2	-
North American Initial		82.1	+0.7	-
Pacific Initial		74.0	-0.3	-
Technology Initial		92.9	-2.7	-
Nat Resources Initial		43.3	+0.9	-
European Initial		92.8	+0.3	-
Residential Prop Init		92.1	.	-
Swiss Equities Initial		34.5	-0.1	-
Hong Kong Initial		59.9	+0.3	-
UK High Inc Eq Init		70.1	+0.2	-
Int Fixed Interest Init		54.6	..	-
Int Managed Init		55.3	..	-
HIP Managed Init		111.1	-0.3	-
HIP Managed II Initial		97.7	-0.1	-
HIP Managed III Init		105.3	-0.1	-
Broker Funds				
High Performance	71.6	75.5	-0.1	-
Towerhill Mngd Fd Acc	46.4	48.9	-0.4	-
YRA Executive Fd	93.8	98.9		-
£ Global Growth Acc	131.2	138.3	.	-
£ High Income Money Acc	139.6	147.2	+0.1	-
IM Balanced		54.7	...	-
H F Speculator Fd		133.1	-1.9	-
PEP Acorn II		110.9		-
PEP Cautionary		100.0	...	-
AAFS Int Man Fund		123.1	+1.7	-
Andrews-Green Inv Port		88.1	.	-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

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JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rallies on short covering

THE DOLLAR finished near the top of the day's trading range in Europe yesterday, improving against the Japanese yen and members of the European exchange rate mechanism as traders covered short positions.

This pulled the US currency up from a low of DM1.6910, helped by a slight improvement in first quarter US gross national product.

The US commerce department revised the fall in GNP growth to 2.6 per cent, from an estimate of 2.8 per cent published a month ago.

Reaction to the GNP news was muted however, as traders viewed the data as historic and waited for more up-to-date indications of whether the US economy is moving out of recession.

In New York the Federal Reserve added liquidity to the banking system as Federal funds traded at 6¼ per cent. This was well above the assumed target level of 5¾ per cent, reflecting yesterday's end of a banking maintenance period and a large seasonal demand for funds. The Fed's action was therefore regarded as technical and not an indication of any change in monetary policy.

At the London close the dollar had improved to DM1.7085 from DM1.6980; to Y138.10 from Y137.85; FFr5.7925 from FFr5.7700; and to SFr1.4610 from SFr1.4455. On Bank of England figures the dollar's index fell to 65.5 from 65.7.

Sterling stayed the third strongest member of the ERM, below the Italian lira and the top-placed Spanish peseta, but the pound lost ground against currencies within the system. It was also weaker in terms of the dollar and Japanese yen in subdued trading.

There was a slightly nervous undertone to the British currency, in expectation that falling UK inflation and rising unemployment will produce further cuts in bank base rates. The timing of lower rates is as uncertain as the timing of the next UK general election. An election must take place by the middle of 1992, but if it is not called until this time next year it could mean that the decline in rates will be relatively slow. A late election would also reduce any political risk in holding sterling at present.

Sterling fell 1.20 cents to $1.7330. It also declined to DM2.9600 from DM2.9625; to FFr10.0375 from FFr10.0675; and to Y239.25 from Y240.50, but rose to SFr2.5325 from SFr2.5225. The pound's index declined 0.1 to 91.9.

The French franc hit its ERM floor against the Spanish peseta, but was stronger against the D-Mark. At the Paris fixing the peseta rose to its ceiling of FFr5.4785 per 100 pesetas from FFr5.4775, while the D-Mark fell to FFr3.3952 from FFr3.3975.

The D-Mark declined to Y80.85 from Y81.20 against the Japanese yen, but was steady in the ERM, showing no reaction to the news that Mr Karl Otto Pöhl will resign as president of the German Bundesbank on August 1, three months earlier than expected

£ IN NEW YORK

May 29	Latest	Previous Close
£ Spot	1.7315-1.7325	1.7480-1.7490
1 month	0.76-0.74pm	0.78-0.77pm
3 months	2.31-2.28pm	2.29-2.26pm
12 months	6.93-6.83pm	6.94-6.89pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 29	Previous
8.30 am	92.0	91.8
9.00 am	92.0	91.8
10.00 am	91.9	91.8
11.00 am	91.9	91.8
Noon	92.9	92.8
1.00 pm	91.9	91.8
2.00 pm	91.9	91.8
3.00 pm	92.0	91.8
4.00 pm	91.9	92.0

CURRENCY MOVEMENTS

May 29	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.9	-19.6
U.S. Dollar	65.5	-13.2
[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 29	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.427	-4.64	6.17	81
Italian Lira	1538.24	1530.37	-0.51	1.77	33
Sterling	0.696904	0.694886	-0.29	1.54	5
Belgian Franc	42.4032	42.3444	-0.14	1.39	14
Dutch Guilder	2.31643	2.31793	0.06	1.18	4
D-Mark	2.05586	2.05723	0.07	1.18	5
Irish Punt	0.767417	0.769022	0.21	1.03	-3
Danish Krone	7.84195	7.89567	0.69	0.56	-24
French Franc	6.89509	6.98097	1.25	0.00	-60

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7285 - 1.7480	1.7325 - 1.7335	0.76-0.74cpm	5.19	2.33-2.30pm	5.34
Canada	1.9845 - 2.0045	1.9845 - 1.9855	0.42-0.32cpm	2.24	1.33-1.20pm	2.55
Netherlands	3.3285 - 3.3350	3.3320 - 3.3330	⅝-½cpm	2.03	1⅞-1⅝pm	2.18
Belgium	60.70 - 61.00	60.70 - 60.80	15-10cpm	2.47	44-32pm	2.50
Denmark	11.3200 - 11.3675	11.3200 - 11.3300	2¼-1½orepm	1.92	6-4⅞pm	1.88
Ireland	1.1050 - 1.1070	1.1060 - 1.1070	0.20-0.15cpm	1.90	0.50-0.40pm	1.63
Germany	2.9550 - 2.9625	2.9575 - 2.9625	½-⅜pfpm	2.28	1¾-1⅝pm	2.28
Portugal	256.95 - 258.45	257.45 - 258.45	31-22cpm	1.23	2-70dis	-0.56
Spain	182.90 - 184.65	182.90 - 183.20	13-19cdis	-1.05	37-49dis	-0.94
Italy	2150.00 - 2205.05	2199.50 - 2200.50	1pm-1liredis	-1.00	2pm-1dis	0.09
Norway	11.5025 - 11.5515	11.5025 - 11.5125	1⅞-1orepm	1.50	5-4pm	1.56
France	10.0310 - 10.0700	10.0325 - 10.0425	1⅝-1½cpm	1.79	5¼-4⅞pm	2.02
Sweden	10.5700 - 10.6160	10.5700 - 10.5800	¼orepm-par	0.43	½pm-½dis	0.07
Japan	238.75 - 240.10	238.75 - 239.75	¾-⅝ypm	3.45	2¼-2⅛pm	3.66
Austria	20.78 - 20.83	20.79 - 20.82	4¼-3¼gropm	2.16	13¼-9¾pm	2.17
Switzerland	2.5210 - 2.5375	2.5275 - 2.5375	⅝-½cpm	3.26	2⅛-2pm	3.26
Ecu	1.4305 - 1.4475	1.4465 - 1.4475	0.20-0.15cpm	1.45	0.56-0.49pm	1.45

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.17-4.12cpm. 12 Month 6.95-6.85cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7285 - 1.7480	1.7325 - 1.7335	0.76-0.74cpm	5.19	2.33-2.30pm	5.34
Ireland†	1.5660 - 1.5805	1.5665 - 1.5675	0.57-0.52cpm	4.17	1.54-1.44pm	3.80
Canada	1.1450 - 1.1475	1.1465 - 1.1475	0.26-0.30cdis	-2.93	0.78-0.83dis	-2.81
Netherlands	1.9045 - 1.9240	1.9230 - 1.9240	0.46-0.49cdis	-2.96	1.49-1.53dis	-3.14
Belgium	34.80 - 35.10	35.00 - 35.10	7.00-9.00cdis	-2.74	22.00-28.00dis	-2.85
Denmark	6.4900 - 6.5375	6.5325 - 6.5375	1.62-1.92oredis	-3.25	5.35-5.95dis	-3.46
Germany	1.6910 - 1.7090	1.7080 - 1.7090	0.41-0.43pfdis	-2.95	1.28-1.31dis	-3.03
Portugal	147.90 - 148.25	148.15 - 148.25	60-75cdis	-5.47	190-220dis	-5.53
Spain	104.75 - 105.70	105.55 - 105.65	50-55cdis	-5.97	155-165dis	-6.06
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

May 29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11½ - 11⅜	11½ - 11⅜	11½ - 11⅜	11⅜ - 11¼	11¼ - 11⅛	11 - 10⅞
US Dollar	6⅜ - 6¼	5⅞ - 5¾	5⅞ - 5¾	6 - 5⅞	6⅛ - 6	6⅝ - 6½
Can. Dollar	8¾ - 8⅝	8¾ - 8⅝	8¾ - 8⅝	8¾ - 8⅝	8¾ - 8⅝	9⅛ - 8⅞
Dutch Guilder	9⅛ - 9	9⅛ - 9	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 9	9⅛ - 9
Swiss Franc	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8⅛ - 8	8 - 7⅞
D-Mark	8⅝ - 8½	8⅝ - 8½	8⅞ - 8¾	9 - 8⅞	9⅛ - 9	9⅛ - 9
French Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Italian Lira	12 - 10	11½ - 10½	11¼ - 10¾	11¼ - 10¾	11¼ - 11	11⅜ - 11⅛
Belgian Franc	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾	9 - 8⅞	9⅛ - 9
Yen	8 - 7⅞	8 - 7⅞	7⅞ - 7¾	7¾ - 7⅝	7¾ - 7⅝	7⅝ - 7½
Danish Krone	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Asian $Sing	6 - 5⅞	6 - 5⅞	6 - 5⅞	6⅛ - 5⅞	6¼ - 6⅛	6⅝ - 6½

Long term Eurodollars: two years 7⅛-7 per cent; three years 7⅝-7½ per cent; four years 8⅛-8 per cent; five years 8⅜-8¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May 29	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.733	2.960	239.3	10.04	2.533	3.333	2200	1.985	60.75	1.447
$	0.577	1	1.708	138.1	5.793	1.462	1.923	1269	1.145	35.05	0.835
DM	0.338	0.585	1	80.84	3.392	0.856	1.126	743.2	0.671	20.52	0.489
YEN	4.179	7.242	12.37	1000.	41.96	10.59	13.93	9193	8.295	253.9	6.047
F Fr.	0.996	1.726	2.948	238.3	10.	2.523	3.320	2191	1.977	60.51	1.441
S Fr.	0.395	0.684	1.169	94.47	3.964	1	1.316	868.5	0.784	23.98	0.571
H Fl.	0.300	0.520	0.888	71.80	3.012	0.760	1	660.1	0.596	18.23	0.434
Lira	0.455	0.788	1.345	108.8	4.564	1.151	1.515	1000.	0.902	27.61	0.658
C$	0.504	0.873	1.491	120.6	5.058	1.276	1.679	1108	1	30.60	0.729
B Fr.	1.646	2.853	4.872	393.9	16.53	4.170	5.486	3621	3.267	100.	2.382
ECU	0.691	1.198	2.046	165.4	6.938	1.751	2.303	1520	1.372	41.98	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

OTHER CURRENCIES

May 29	£	$
[illegible]	[illegible]	[illegible]
Iran	119.10*	68.00*
Korea(Sth)	1255.40 - 1275.65	721.60 - 727.20
Kuwait	N/A	N/A
Luxembourg	60.70 - 60.80	35.00 - 35.10
Malaysia	4.8125 - 4.8210	2.7545 - 2.7565
Mexico	5216.75 - 5237.30	2987.00 - 2997.00
N.Zealand	2.9835 - 2.9885	1.7110 - 1.7130
Saudi Ar.	6.5210 - 6.5795	3.7490 - 3.7510
Singapore	3.0715 - 3.0790	1.7610 - 1.7630
S.Af (Cm)	4.8620 - 4.8745	2.7940 - 2.7960
S.Af (Fn)	5.5940 - 5.6845	3.2000 - 3.2520
Taiwan	47.70 - 47.80	27.30 - 27.35
U.A.E.	6.3845 - 6.4435	3.6720 - 3.6740

* Selling rate

FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7330	1.7255	1.7098	1.6915	1.6640

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.7378	1.7430	1.7372	1.7434
Sep	1.7170	1.7210	1.7150	1.7216
Dec	1.7026	1.7026	1.7000	1.7044

BASE LENDING RATES

	%		%		%
[illegible]		[illegible]		[illegible]	
Bank of Ireland	11.5	● Robert Fleming & Co.	11.5	● Smith & Williamson Secs.	11.5
Bank of India	11.5	Robert Fraser & Ptnrs.	12	Standard Chartered	11.5
Bank of Scotland	11.5	Girobank	11.5	TSB	11.5
Banque Belge Ltd	12	● Guinness Mahon	11.5	Unibank plc	11.5
Barclays Bank	11.5	● Hambros Bank	11.5	● United Bk of Kuwait	12
Benchmark Bank	12	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	11.5
Brit Bk of Mid East	11.5	Heritable & Gen Inv Bnk.	11.5	Western Trust	11.5
● Brown Shipley	11.5	● Hill Samuel	11.5	Westpac Bank Corp.	12
CL Bank Nederland	11.5	C. Hoare & Co.	11.5	Whiteaway Laidlaw	11.5
● Charterhouse Bank	11.5	Hongkong & Shanghai	11.5	Yorkshire Bank	11.5
Citibank NA	11.5	● Leopold Joseph & Sons	11.5	● Members of British Merchant Banking & Securities Houses Association.	
City Merchants Bank	11.5	Lloyds Bank	11.5		
Clydesdale Bank	11.5	Meghraj Bank Ltd	11.5		

MONEY MARKETS

Rates hold steady

RATES WERE little changed on the London money market yesterday, despite suspicions that bank base rates may be forced down, to stimulate growth as rising unemployment could become a dominant issue at the next UK general election.

Three-month sterling interbank was steady at 11⅜-11¼ per cent and 12-month money was quoted at 11⅛-11 per cent compared with 11⅛-11 on Tuesday.

Short sterling futures traded quietly in a narrow range on Liffe. June delivery opened unchanged at 88.74 and touched a peak of 88.78 before closing at 88.76 compared with 88.74 previously.

Day-to-day credit was in short supply on the cash market. The Bank of England initially forecast a shortage of £1,200m, but revised this to £1,000m at noon and to £900m in the afternoon. Total help of £816m was provided.

In early operations the authorities bought £550m bills, for resale to the market on June 10, at a rate of 11$\frac{13}{16}$ per cent. Before lunch £288m bills were purchased outright, by way of £28m Treasury bills in band 1 at 11⅜ per cent; £2m bank bills in band 1 at 11⅜ per cent; £70m Treasury bills in band 2 at 11$\frac{5}{16}$ per cent; and £188m bank bills in band 2 at 11$\frac{5}{16}$ per cent.

In the afternoon another £3m bank bills were bought outright in band 2 at 11$\frac{5}{16}$ per cent and late assistance of around £25m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,222m, with the unwinding of repurchase agreements on bills absorbing £177m. These outweighed exchequer transactions adding £100m to liquidity, a fall in the note circulation of £20m and bank balances above target of £95m.

In Frankfurt a meeting of the Bundesbank council left official German interest rates unchanged.

A tightening of credit conditions on the money market, as the month end approaches, prompted the central bank to add short-term liquidity. Under section 17 of the Bundesbank Act money held on behalf of public authorities can be diverted into the market to offset temporary credit shortages.

Dealers said that the volume of section 17 funds was probably small, but it was enough to ease call money to 8.80 from 8.825 per cent.

UK clearing bank base lending rate 11.5 per cent from May 24, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. May 29) 3 months US dollars		6 months US Dollars	
bid 5$\frac{15}{16}$	offer 6$\frac{1}{16}$	bid 6$\frac{1}{16}$	offer 6$\frac{3}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

(Lunchtime)

Prime rate	8½
Broker loan rate	7½
Fed funds	6¼
Fed funds at intervention	-

Treasury Bills and Bonds

One month	4.72	Three year	7.06
Two month	5.42	Four year	7.28
Three month	5.60	Five year	7.64
Six month	5.85	Seven year	7.91
One year	6.07	10-year	8.05
Two year	6.65	30-year	8.27

May 29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.70-8.90	8.75-8.90	8.80-8.95	8.85-9.00	8.90-9.05	9.00
Paris	9⅞-10	9⅜-9½	9¼-9⅜	9¼-9⅜	9¼-9⅜	9.25
Zurich	7⅝-7⅞	8-8¼	-	8-8¼	-	-
Amsterdam	8.87-9.00	8.96-9.06	-	8.98-9.08	-	-
Tokyo	7⅝-7$\frac{11}{16}$	7$\frac{9}{16}$-7$\frac{11}{16}$	-	7⅝-7$\frac{11}{16}$	-	-
Milan	10⅞-10⅞	11½-11⅞	-	11⅞-11⅞	-	-
Brussels	8.75-8.88	8¾-8⅞	-	8⅞-9	-	-
Dublin	10$\frac{9}{16}$-10$\frac{11}{16}$	10$\frac{9}{16}$-10$\frac{11}{16}$	10$\frac{7}{16}$-10$\frac{9}{16}$	10$\frac{7}{16}$-10$\frac{9}{16}$	10¼-10⅜	-

LONDON MONEY RATES

May 29	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12	11$\frac{7}{16}$	11⅝	11½	11⅜	11⅛
Interbank Bid	10	11$\frac{5}{16}$	11½	11⅜	11¼	11
Sterling CDs	-	-	11⅝	11⅜	11¼	10$\frac{15}{16}$
Local Authority Deps.	11$\frac{7}{16}$	11½	11½	11⅜	11¼	11
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11¼	11⅜	11⅜	11¼	-	-
Company Deposits	-	-	11⅝	11½	11⅜	11$\frac{1}{16}$
Finance House Deposits	-	-	11$\frac{11}{16}$	11⅜	11⅜	11$\frac{3}{16}$
Treasury Bills (Buy)	-	-	11⅜	10$\frac{15}{16}$	10⅝	-
Bank Bills (Buy)	-	-	11$\frac{5}{16}$	10$\frac{15}{16}$	10½	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.90	5.95	6.09	6.48
SDR Linked Dep. Offer	-	-	7⅞	7$\frac{15}{16}$	7$\frac{15}{16}$	8$\frac{1}{16}$
SDR Linked Dep. Bid	-	-	7⅝	7$\frac{13}{16}$	7$\frac{13}{16}$	7$\frac{15}{16}$
ECU Linked Dep. Offer	-	-	9$\frac{13}{16}$	9⅞	9$\frac{13}{16}$	9$\frac{13}{16}$
ECU Linked Dep. Bid	-	-	9$\frac{11}{16}$	9¾	9$\frac{11}{16}$	9$\frac{11}{16}$

Treasury Bills (sell); one-month 11$\frac{3}{16}$ per cent; three months 10¾ per cent; six months 10⅝ per cent; Bank Bills (sell): one-month 11¼ per cent; three months 10$\frac{15}{16}$ per cent; Treasury Bills; Average tender rate of discount 10.8148 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1991. Agreed rates for period May 26, 1991 to June 25, 1991, Scheme I: 13.07 p.c., Schemes II & III: 13.32 p.c. Reference rate for period March 29, 1991 to April 30, 1991, Scheme IV&V: 12.024 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from May 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8½ per cent; one-three months 11 per cent; three-six months 10½ per cent; six-nine months 10 per cent; nine-twelve months 9½ per cent; Under £100,000 8½ per cent from April 15, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,555 Set by GRIFFIN

ACROSS

1 Even poor Enid's about to be pompous! (8)
5 Plump hospital doctor reversed six feet (6)
9 For upsetting us are shot outside government department (8)
10 Harmony on a C string (6)
12 Near Turkish capital when it's dark (5)
13 Containers of many layers? (9)
14 Unfeeling individual in beastly place (6)
16 Terribly artful sweetheart admitted weeping (7)
19 Artist backs way I've accepted and achieved recognition (7)
21 Breakfast food for mule is awful! (6)
23 Untended garden could be done with wrong fluid (9)
25 Got brother to order shrub (5)
26 Throw worker into rough hut (6)
27 Spinster embracing very continental lover (8)
28 Removing one litre container of unsatisfactory gloss (6)
29 Struggled out of San Diego (8)

DOWN

1 Propose to nurse behind home (6)
2 Boxer fighting men in cargo ship (9)
3 When to decline something useful (5)
4 Bottom of towel in coarse material (7)
6 A fixed charge on reaching moorage (9)
7 Rising, mum also enters and laughs loudly (5)
8 Novice enters reserve shyly (8)
11 Group you heard raised money (4)
15 Crew member raving to a doctor (9)
17 Fans in bloomers look up (9)
18 Drinking-party song about America (8)
20 A little liquid - nothing from sink (4)
21 Many closing for repairs (7)
22 Tickled by exercise a doctor brought out (6)
24 Cut up writing tests (5)
25 To include bar staff (5)

Solution to Puzzle No.7,554

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

JAPAN

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWEDEN (continued)

SWITZERLAND

SOUTH AFRICA

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

3:00 pm prices May 29

MONTREAL

3:00 pm prices May 29

Total Sales 14,840,900 shares

INDICES

NEW YORK

DOW JONES	May 28	May 27	May 24	May 23	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2958.86	(c)	2913.91	2900.04	3004.46 (17/4)	2470.30 (9/1)	3004.46 (17/4/91)	41.22 (2/7/32)
Home Bonds	94.97	(c)	94.74	94.75	95.06 (9/5)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1170.49	(c)	1155.32	1148.45	1202.57 (9/5)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	211.90	(c)	210.14	209.07	220.89 (16/4)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2965.12 (c)) Low 2903.86 (c))

STANDARD AND POOR'S	May 28	May 27	May 24	May 23	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	381.94	(c)	377.49	374.96	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	455.68	(c)	449.92	446.92	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	30.37	(c)	29.96	29.54	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	208.87	(c)	206.66	205.45	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	364.45	(c)	362.54	360.52	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	497.17	(c)	492.67	489.68	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	May 10	May 3	Apr.26	year ago (approx.)
Dow Industrial Div. Yield	3.14	3.44	3.47	3.93
	May 22	May 15	May 8	year ago (approx.)
S & P Industrial div. yield	2.79	2.86	2.78	2.94
S & P Indl. P/E ratio	18.89	18.97	18.53	16.08

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Gen Motors	2,978,800	40¾	+ ⅞
RJR Nabisco	2,796,800	11⅝	+ ¼
Citicorp	2,456,100	16⅛	+ ⅝
Philip Morris	2,169,000	69⅞	+ 1⅛
Ford Motor	1,756,700	34⅝	+ 1⅛
Glaxo	1,996,600	42½	+ ½
Placer Dom	1,990,800	13⅛	+ ⅞
Am Express	1,586,000	25	+ 1¼
Telefonos	1,583,600	27	- ¼
Pepsico	1,488,900	32¼	+ ½

TRADING ACTIVITY

† Volume Millions	May 28	May 27	May 24
New York	162.558	(c)	124.640
Amex	9.264	(c)	7.879
NASDAQ	126.331	(c)	127.999
Issues Traded	2,026	(c)	2,017
Rises	1,038	(c)	949
Falls	527	(c)	547
Unchanged	461	(c)	521
New Highs	81	(c)	52
New Lows	9	(c)	9

CANADA

TORONTO	May 28	May 27	May 24	May 23	1991 HIGH	1991 LOW
Metals & Minerals	3089.40	3002.61	2996.17	2966.02	3284.18 (5/3)	2632.06 (9/1)
Composite	3492.78	3456.64	3456.06	3446.39	3571.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1856.94	1836.00	1833.29	1825.92	1888.19 (5/3)	1606.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 29	May 28	May 27	May 24	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1504.4	1518.2	1535.1	1536.8	1558.3 (29/4)	1204.5 (16/1)
All Mining (1/1/80)	631.2	636.1	642.0	645.6	680.1 (29/4)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	510.89	504.72	505.61	509.68	534.81 (16/4)	398.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1163.22	1158.99	1163.94	1166.56	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	355.89	355.07	354.47	354.37	355.89 (29/5)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1077.2	1073.3	1081.7	1077.9	1186.9 (8/4)	890.5 (25/1)
FRANCE						
CAC General (31/12/82)	484.26	481.96	480.65	485.34	498.78 (9/4)	394.88 (15/1)
CAC 40 (31/12/87)	1825.16	1807.81	1801.52	1804.83	1851.89 (3/4)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	708.34	704.64	704.88	700.12	708.34 (29/5)	570.48 (15/1)
Commerzbank (1/12/53)	2012.6	1997.2	1997.8	1983.7	2012.6 (29/5)	1612.5 (15/1)
DAX (30/12/87)	1681.59	1682.14	1681.45	1671.87	1682.14 (28/5)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3625.39	3594.78	3575.52	3703.98	3917.09 (20/5)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1404.99	1401.57	1399.68	1402.90	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	597.17	592.43	592.51	589.65	602.64 (19/4)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	25495.41	25398.67	25425.88	25529.14	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1934.69	1926.55	1933.57	1944.67	2028.85 (18/3)	1625.80 (17/1)
2nd Section (4/1/68)	3211.56	3178.20	3189.02	3218.85	3423.45 (18/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	635.02	(c)	630.30	625.81	635.02 (29/5)	478.41 (16/1)
NETHERLANDS						
CBS Tti.Rtn.Gen.(End 1983)	279.0	278.0	277.4	276.5	280.1 (10/5)	221.4 (16/1)
CBS All Shr (End 1983)	199.0	198.4	198.0	197.3	202.8 (10/5)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	782.97	778.78	781.65	774.55	790.41 (13/5)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1183.40	1167.15	1179.46	1194.31	1183.40 (29/5)	982.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	417.29	(c)	416.15	417.72	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1249.0	1191.0	1179.0	1180.0	1367.0 (14/1)	971.0 (25/2)
JSE Industrial (28/9/78)	3608.0	3602.0	3602.0	3582.0	3608.0 (29/5)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	612.33	613.80	617.30	619.29	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	282.19	282.43	283.39	284.33	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1107.8	(u)	1098.7	1086.70	1119.0 (18/5)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	756.5	756.2	751.6	747.7	756.5 (29/5)	590.4 (14/1)
SBC General (1/4/87)	631.4	633.5	631.2	626.1	633.5 (28/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5713.59	5939.17	5901.45	6089.60	6305.22 (9/5)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	809.25	(c)	810.33	812.54	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (3)	513.4*	510.3	508.3	508.3	529.2 (17/4)	459.1 (16/1)

**Saturday May 25: Taiwan Weighted Price: 5959.92 Korea Comp Ex. 617.29.
a Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday 29 May 1991

	Stocks Traded	Closing Prices	Change on day
Japan Steel	25.3m	835	-9
Niigata Eng	20.1m	805	+21
Hitachi Zosen	14.7m	669	-6
Kawasaki Kisen	10.9m	572	+7
Fuji Electric	6.3m	908	-18
Yaskawa Electric	6.9m	995	+33
Nisshin Steel	5.7m	727	-3
Tokai Carbon	5.7m	875	-4
Tokyu	5.5m	1,360	-110
Mitsubishi Heavy	5.0m	760	+5

Price data supplied by Telekurs.

3:15 pm prices May 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.04	12	651	12⅞	12¾	12⅞	
18¾	14½	A L Labs A	0.16	0.01	15	872	16⅝	16⅛	16½	
54¾	40⅞	AMP Inc	1.44	0.03	18	2410	48¾	48¼	48¾	+⅛
65⅞	44¼	AMR				182538	63⅛	62⅛	62⅞	+¼
2⅜	1¼	ARX			2	10	1⅝	1⅜	1⅜	
48¾	41½	ASA	3.60	0.07	13	1473	48	46⅞	47⅜	+⅜
54	38¼	Abbott Lab	1.00	0.02	23	0786	53¼	52⅞	53	−¼
13⅝	9⅞	Abitibi Pr	0.50	0.04	25z	100	13½	13½	13⅛	
11½	10⅜	ACM Gvt In				1150	11⅛	11¼	11⅛	
9⅝	8¾	ACM GvOpp	1.01	0.11		105	9⅝	9¼	9⅜	+⅛
9¼	8¼	ACM Gvt Sp	1.01	0.11		236	u9¼	9⅛	9⅛	−⅛
11	9⅞	ACM Gvt Se x				383	10⅞	10¾	10⅞	
8¼	7⅝	ACM Man	1.01	0.12		283	u8¼	8⅛	8¼	
12⅞	11⅞	ACM Managd	1.50	0.12		526	u12⅞	12⅝	12⅝	−⅛
7¼	4¾	Acme Cleve	0.40	0.06	16	125	6⅝	6½	6½	
6	3½	Active Elect			37	28	3⅞	3¾	3¾	
40	22¾	Acuson			25	740	34⅞	33¾	34⅛	+⅜
17⅞	14¼	Adams Expr	0.48	0.03	0	205	u18⅛	17⅞	18	+⅛
20⅛	18⅞	Adobe12Pf	2.40	0.12		67	19⅝	19½	19⅝	
9¼	7	Adobe Res			23z	100	8⅛	8⅛	8⅛	
36	18	Ad Micro				72	35⅝	35¼	35⅝	+¼
14¼	4⅝	Ad Micro P	3.00	0.23	14	3946	13	12⅞	12⅞	−⅛
6⅛	2¼	Advest Grp	0.16	0.04	5	6	4¼	4⅛	4¼	+⅛
49⅛	33⅞	Aetna Lf	2.76	0.07	7	1920	41	40⅝	40¾	+¼
10⅞	6⅜	Ahm A	0.24	0.03	35	1664	8⅞	8⅝	8⅞	+⅛
18¾	12	Ahmanson	0.88	0.05	10	2074	18⅞	18¼	18¼	−⅛
8½	2⅞	Aileen Inc			13	167	8¼	7¾	8	−⅜
70⅞	61⅛	Air Pr Chm			15	2178	69	68⅛	68⅞	+¼
28⅛	16⅝	Airbne Frt	0.30	0.01	14	306	24⅛	24	24¼	+⅛
18⅞	12½	Airgas Inc			68	143	14¼	14	14	−½
16¼	10	Airlease	2.29	0.18	6	17	13⅛	13	13	
94	68¼	AlaPw8.16				11	u94	94	92½	−1½

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29¾	22⅛	Rockwl	0.88	0.03	10	1729	27⅞	27⅛	27½	+⅜
5½	3⅝	Rodm&Rass			13	43	4	3¾	4	
40⅝	32⅞	Rohm&Haas	1.24	0.03	13	462	40½	39⅛	40⅜	+1⅛
26⅞	14⅞	Rohr Inds			16	1707	25	24⅛	25	+⅜
12⅞	8½	RollinsEnv	0.08	0.01	21	3026	10	9⅝	9¾	−¼
25	18⅝	Rollinsinc	0.58	0.02	20	67	24	23⅛	23¾	
11⅞	7⅛	RoRinsTrL	0.20	0.02	11	495	11¼	11	11¼	+¼
11⅝	8¼	Rowan Cos			164	1822	9½	9⅛	9¼	−⅛
24⅞	22¼	RoyBkScot	1.20	0.05		78	u24⅞	24⅝	24¾	+¼
84⅝	73⅞	RylDutch x	4.23	0.05	10	8711	82¼	81⅞	82	
11	7½	Royce Val				39	10⅜	10⅛	10⅛	−⅛
54	37	Rubbermaid	0.60	0.01	27	429	51⅝	50⅞	51¼	+¼
17½	13¾	RussBerie x	0.60	0.04	11	125	14	14	14	+⅛
7⅛	4	Russ Togs			1	2	4½	4½	4⅝	+⅛
28⅞	19¾	Russell Cp	0.32	0.01	16	278	22⅞	22⅛	22⅞	+⅜
19⅞	14	Ryder Syst x	0.60	0.03	22	2240	19½	18⅝	19	+⅜
25¼	19¼	Ryland Grp	0.60	0.03	31	450	20¾	20⅜	20½	+⅜

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60⅛	35¼	Xerox	3.00	0.05	10	1617	58⅛	56⅞	57⅞	+⅜
51	43¼	Xerox4.125				10	50½	50½	50½	
21¼	14⅛	Xtra 1.94				33	20⅝	20⅛	20⅝	+¼
24⅞	14¼	Xtra Corp	0.72	0.03	12	36	22¼	21⅞	22⅛	+½
23½	21⅞	Yankee Egy	1.60	0.07	13	47	u23⅞	23⅝	23⅞	+¼
1½	⅞	Zapata			0	41	1⅛	1	1	
9⅝	6⅛	ZenithElec			2	430	7⅛	6⅞	7	+⅛
16¼	12	Zenith Nat	1.00	0.06	66	188	15⅞	15½	15⅞	−⅜
6	4½	Zenix Inc x	0.87	0.15		51	u6	5¾	5¾	−¼
16⅜	10⅞	Zero Corp	0.72	0.05	15	618	14⅝	14¼	14¼	−⅜
41⅜	29½	Zurn Ind	0.88	0.02	14	304	35⅝	35	35¼	+⅛
13½	10¼	Zweig Fund				226	12¾	12½	12¾	+¼
10	8½	Zweig Tot	1.08	0.11		587	u10	9¾	9¾	−⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices May 29

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Graber x	0.20	16	36	15	15	15	−⅛
GTI Corp		13	115	4	3⅞	4	
Gulf Cda	0.40	10	15	7½	7⅜	7½	
Hasbro	0.24	19	1216	30⅜	29⅞	29⅞	−½
NV Ryan		0	227	1⅜	1¼	1⅜	+⅛
Odetics A		18	26	7⅛	6⅞	6⅞	−¼
Oleten	0.24	20	133	16⅞	16	16⅛	−⅝
Oil Corp	0.10	10	120	6½	6⅜	6⅜	
Pall Corp	0.44	40	2609	37	36½	36⅝	−½
Pegasus G		7	631	12¼	11¾	12	+¼
Pariel		10	z100	14⅝	14⅝	14⅝	
Pet H&P	0.31	12	2	10½	10½	10¼	
Phil LD	0.16	9	393	u22⅛	21¾	21¾	−¼

NASDAQ NATIONAL MARKET

3:00 pm prices May 29

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		31	807	22¼	21⅜	21¾	−½
XL Data		16	660	8½	7½	8	+½
Xoma Corp		15	2367	29½	28⅜	29	+¼
Yellow Fr	0.94	14	1090	30¼	29⅞	30	+⅛
York Rsch		19	599	20½	19¼	19⅜	−⅜
ZionsUtah	1.44	9	16	42½	41¼	41⅞	+⅝

FINANCIAL TIMES
Thursday May 30 1991

AMERICA

Rising car shares help Dow to build on gains

Wall Street

AMID STRONG demand for carmakers and backed by a firm bond market yesterday, share prices built on Tuesday's gains, *writes Patrick Harverson in New York.*

At 1.30 pm the Dow Jones Industrial Average was up 8.72 at 2,987.58. The Standard & Poor's 500 rose 0.71 to 382.65 at 1 pm, and Nasdaq over-the-counter stocks added 2.75 to 499.92. NYSE turnover was a brisk 119m shares by 1 pm.

After Tuesday's 45-point advance, the market opened in a positive, if cautious, mood. An early announcement that first quarter gross national product had fallen by 2.6 per cent, and not 2.8 per cent as originally estimated, helped bolster sentiment. Although share prices were slightly lower for the first hour and a half of trading, they had moved into positive territory by midday in the wake of steady buying of blue chips and a rise in bond prices.

Shares in the big car manufacturers, which have been neglected of late, were in demand from institutional buyers throughout the morning. General Motors, up $1⅝ at $42⅞ on turnover of 2.3m shares, led the way, followed by Ford, up $1¼ at $35⅞ on turnover of 1.5m shares, and Chrysler, $⅝ higher at $14⅝.

AT&T rose $½ to $36⅞ in heavy trading after Mr Jack Grubman, an analyst at Paine Webber, the broking house, recommended that institutional investors should buy the stock, which he felt to be undervalued. Mr Grubman also believed that AT&T's fundamental strengths were an attraction, and that upcoming sales of the company's shares by arbitrageurs should place significant amounts of stock in the market.

Reports that Mr John Akers, chairman of IBM, is unhappy with management and staff performance took their toll on the computer maker's shares, which dropped $⅞ to $104⅛. In contrast, other computer groups moved higher with the market, Digital Equipment adding $2⅛ to $66¾, Hewlett-Packard $¼ to $53¼, and Compaq $⅝ to $37¾.

Johnson Products rose $1⅛ to $16½ on the American Stock Exchange on news of the management-led, $17¼-a-share offer for the cosmetics company. Morrison-Knudsen advanced $⅝ to $47⅝ after it was announced that the company would lead a consortium to build and maintain a high-speed rail network between major Texas cities.

Gap, the clothing retailer that has thrived in spite of the slowdown in consumer spending, rose $2⅝ to $65 after the company declared a two-for-one stock split and a 28 per cent dividend payout. Alaska Air slipped $⅞ to $22¼ after analysts at First Boston and Kidder Peabody cut their earnings estimates.

Canada

TORONTO extended its rally with sharp gains across the board in moderate trade, as hopes that Canada's recessionary economy is finally turning lifted the market. The composite index gained 11.0 to a session high of 3,503.8.

Bombardier B shares rose C$⅝ to C$21⅞ after a French-led consortium, including the Quebec train manufacturer, won a franchise to build and operate the first North American bullet train.

SOUTH AFRICA

AN OVERNIGHT rise in bullion prices stirred up demand for gold shares in Johannesburg yesterday. The all-gold index leapt 58 or 4.9 per cent to 1,249, as Vaal Reefs gained R10 to R212 and Freegold added R1.60 to R25.50. The industrial index edged up 6 to another record of 3,608.

EUROPE

Big blue chips breathe life back into Paris

DEMAND FOR big blue chips drew attention back to Paris yesterday, although the Continent's recent favourites, Frankfurt and Milan, continued to enjoy active trading, *writes Our Markets Staff.*

PARIS showed more life than of late, as the CAC 40 index rose 17.35 or 1 per cent to 1,825.16. One dealer said, however, that the index was still stuck within the 1,800-1,850 bracket, and would need an interest rate cut to break decisively above it. Turnover was moderate at about FFr2.4bn, up from FFr1.5bn.

Blue chips attracted most of the interest. Alcatel Alsthom gained FFr18 or 3.1 per cent to FFr597 in volume of 442,735 shares, on hopes that GEC Alsthom's successful bid for a high-speed train contract in Texas would spawn further orders elsewhere.

Peugeot shot up FFr21 or 3.7 per cent to FFr594 on 325,325 shares, on the news that the government would cut VAT on cars. The stock was also helped by news of only a small decline in car registrations in April from the same month in 1990.

The day's best gain was by Scoa, the trading company, which jumped FFr2.05 or 9.7 per cent to FFr23.25 on heavy volume of 562,700 shares, after the company said that its results would improve this year. Also strong was UAP, the insurer, which jumped FFr23 or 4.2 per cent to FFr569.

FT-SE Eurotrack 100 - May 29

Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1143.87	1143.42	1143.37	1142.26	1141.93	1141.48	1140.13	1140.74

Day's High 1144.09 Day's Low 1139.81

May 28	May 24	May 23	May 22	May 21
1138.35	1132.21	1132.82	1131.74	1123.75

Base value 1000 (26/10/90)

FRANKFURT did big business ahead of today's market holiday, volume rising from DM7.6m to DM8bn on buying by underweight US and UK funds. There were also switches out of steels and into other market leaders, retailers and special situations.

After another year's high of 708.34, up 3.70, for the FAZ index at midsession, the DAX closed 0.61 lower at 1,681.53.

In steels, Hoesch and Mannesmann fell DM3.50 to DM256.50 and DM7 to DM277.50. The leaders did not rise commensurately, Siemens adding DM1.60 to DM634.50 and Daimler DM3.50 to DM736, but they were the most active stocks, turning over DM1bn and DM672m, respectively.

Retailers were mixed, but Kaufhof rose DM22 to DM532 on decent buying orders, and recommendations from two domestic banks. Douglas, with its rights issue pending, put on another DM12.50 to DM806.50.

Among the special situations the papermaker, PWA, still regarded as an underpriced cyclical with improving prospects, rose DM15 to DM284.50.

MILAN rose further in good volume. Industrials were in particularly good form, although the market was also lifted by the continuing speculation that Fondiaria would buy its fellow insurer, Latina, from Mr Carlo De Benedetti's stable.

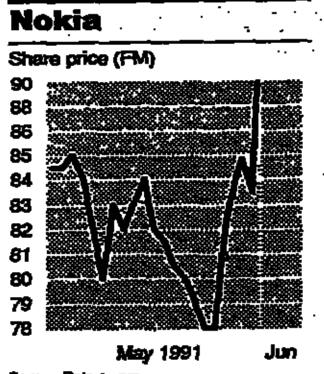
The Comit index rose 4.74 to 597.17. Fiat rose L131 to L5,800 on the kerb, Pirelli Spa by L55 to L1,805 and Cofide, the De Benedetti financial holding company which controls Latina, by L99 to L2,899.

STOCKHOLM featured a 66 per cent jump in turnover, from SKr377m to SKr627m, as the Affärsvärlden General index rose a further 8.6 to 1,107.8 on the linkage of the krona to the Ecu.

Volvo, the carmaker which has been balancing poor car and truck volumes with deep reductions in costs, saw its free B shares rise SKr7 to SKr344.

Nokia

Share price (FM)



Source: Datastream

HELSINKI had two big corporate stories to talk about. Nokia's sale of its Data unit to ICL took its free shares up FM11.5 to FM96.5, and the restricted up FM8.5 to FM90.

The Hex index rose only 3.9 to 1,077.2, but Mr David Longmuir of James Capel said that there could be more interest in the market today, following Repola's decision to convert all restricted Repola shares held by three wholly owned subsidiaries into free shares.

BRUSSELS registered some interest in Petrofina, the oil group, but the market was only slightly firmer in quiet trading.

Petrofina, which had been falling on profit-taking since its dividend payment last week, gained BFr225 or 2 per cent to BFr11,750. The Bel20 index added 4.33 to 1,163.22.

ZURICH saw the Crédit Suisse index fall 1.6 to 548.5. Buying interest focused on Ciba-Geigy which, noted Mr Andrew Porter of Nikko Securities, had a breakfast meeting with London analysts yesterday. After lunch with UK fund managers, the bearers rose SFr90 to SFr2,940; the company meets Scottish investors today.

MADRID's general index slipped 0.24 points to 282.19 in light turnover, similar to Tuesday's Pta9.3bn.

Utilities dominated activity, with merger partners Hidrola and Iberduero gaining Pta14 to Pta576 on 1.79m shares, and Pta13 to Pta732 on 818,110 shares respectively.

AMSTERDAM lost early, Wall Street-inspired gains to close flat. The CBS Tendency index was unchanged at 94.5 in turnover of Fl 607m.

Unilever continued to rise in the wake of the recent buy recommendation from Goldman Sachs, adding Fl 1.10 to Fl 161.10.

VIENNA's bourse index added 5.17 to 570.85 before today's holiday. OMV, the state-controlled oil company, gained Sch13 to Sch925 after announcing first-quarter results.

ATHENS fell 3.2 per cent, as banking and insurance stocks dragged the general index down 33.52 to 1,021.90.

Chile's illiquid bolsa jumps as funds pour in the cash

Leslie Crawford explains the foreign and domestic buying behind Santiago's strength so far this year

TRADING ON the Santiago Stock Exchange is not for those who suffer from vertigo. The index of the 50 most traded shares, IPSA, has climbed 66 per cent so far this year, while the IFC dollar index for Chile has risen 45 per cent. Stockbrokers are beginning to wonder whether a dangerous descent is in the offing.

The market's activity has been spurred by several factors: falling inflation and interest rates; a recovery in economic activity after growth of only 2 per cent last year; and record expansion in exports, promising big returns for forestry, fishing and fruit companies.

The economic outlook does not justify the dramatic rise in share values, however. The reason for the rally, says Mr Mario Lobo, manager of Salomon Brothers' Chile Fund, is "the sheer weight of money chasing too few shares".

Santiago's stock exchange, the bolsa, remains small and illiquid in spite of the emergence of heavyweight institutional investors, such as Chile's private pension funds, which manage more than $7.7bn in assets.

The pension funds have raided the bolsa since January, scooping up more than $400m in stocks – equivalent to about half the bolsa's total turnover for 1990. By the end of April, the pension funds held 16.5 per cent of their portfolios in equity (about $1.3bn), compared with 11.3 per cent last December.

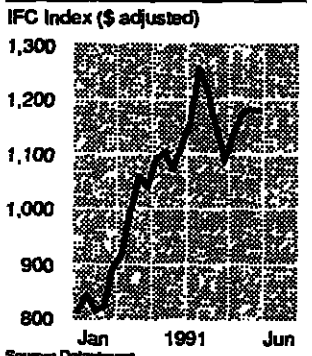
The other main players are the 10 foreign investment funds, which have channelled $365m into Chile since they began operating 18 months ago. Two new funds will soon be joining them: Chase Manhattan, which has $50m to spend, and Citibank and Security Pacific, with $30m.

The foreign investment funds kept the stock market buoyant in 1990 through the dark months of high interest rates and falling output. Now they are being more selective in their purchases. Chilean shares are not such a bargain this year. Price/earnings ratios have doubled to 11.7 – nearer to those of the world's leading stock markets.

Nevertheless, Chilean equity is not really overvalued, says Mr Jose Hernan Ovalle, a Santiago stockbroker, when you consider the high profits that companies are expected to turn in this year. Mr Lobo reckons that earnings on shares will rise by 20 to 25 per cent in 1991.

Chile

IFC Index ($ adjusted)



Source: Datastream

Mr Ovalle adds a note of caution, however: "The bolsa cannot continue rising at this rate. The market should slow down until October."

The great disappointment for institutional investors is that rising share prices have not tempted companies to raise capital on the stock exchange. "Chile's conservative business elite still believes you need to own 50 per cent of a company in order to control it," says Mr Lobo, "and this concentration of ownership limits the market." Even the biggest industrial holdings, such as Copec, the forestry, fishing and petrol distribution group, are controlled by a few individuals.

Bond issues remain the favourite Chilean method of raising finance. Another limitation is the shallowness of the equity market: more than 200 companies are listed, but the five most actively traded stocks account for at least 60 per cent of total trading volume. A further anomaly is the virtual absence of listed mining companies, in a country with a backbone of copper.

The foreign investment funds have already stocked up on the bolsa favourites, such as Endesa, Chile's biggest and most highly profitable privatised utility. Mr Lobo says the Chile Fund is now on the look-out for more "exotic growth stocks". Salaries in Chile are rising, and Mr Lobo believes a surge of consumer spending will boost food and beverage companies.

More than a year after foreign investors selected Chile as one of the leading emerging markets, Santiago remains full of contradictions. Chile has fostered the highest savings rate in Latin America, but the country's business class has been unwilling to tap this by relaxing control on share ownership.

Trading still takes place on the quaint, 19th century bolsa floor, where turnover in shares rarely exceeds $5m a day. All transactions are settled with the physical exchange of shares, as the bolsa lacks a central clearing house.

The stock market, in fact, provides a revealing snap-shot of Chile: a conservative, publicity-shy country, still trying to adapt to its economic success.

ASIA PACIFIC

Nikkei achieves its first rise in four sessions

Tokyo

SHARE PRICES managed to snap out of the doldrums yesterday, and the Nikkei average rose for the first time in four trading days. Dealer activity triggered small-lot buying by some institutions, *writes Emiko Terazono in Tokyo.*

The overnight rally on Wall Street and lower money market rates on Tuesday contributed to improved sentiment. The Nikkei gained 104.74 to 25,495.41, after opening at the day's low of 25,456.75 and reaching a high of 25,649.77.

Volume expanded from 240m to 400m shares, the highest since April 17. Dealers traded actively, trying to stimulate the market on the first trading day for June deliveries.

Gains led declines by 632 to 316, while 159 issues remained unchanged. The Topix index of all first section stocks put on 8.14 to 1,934.69, and in London trading the ISE/Nikkei 50 index firmed 3.40 to 1,443.31.

Better than expected results for Fanuc led to buying in high-technology stocks. Fanuc rose Y180 to Y5,450, Sony Y70 to Y6,160 and TDK Y40 to Y5,390. Yaskawa Electric, an electric motor maker, ended Y33 up at Y995 after reaching a 1991 high of Y1,000. Fanuc is Yaskawa's main customer.

Earnings forecasts supported Nippon Stainless Steel, which is expecting a 123 per cent jump in pre-tax profits for the current year. Other stainless steel manufacturers were also strong, with Nippon Metal Industry gaining Y20 to Y820.

Kurosaki Refractories, a fire-brick maker, advanced Y70 to Y900 after forecasting a 96 per cent increase in pre-tax profits for the current year.

Stocks expected to benefit from a joint oil refinery project in Saudi Arabia, announced on Tuesday, continued to gain ground. Niigata Engineering, an oil drilling equipment maker, added Y21 at Y805 and Chiyoda, the plant engineer, moved up Y20 to Y2,610. Japan Steel Works, the most active issue of the day, rose initially but ended Y9 down at Y835.

In Osaka, the OSE average rose 68.63 to 27,984.71 on volume of 31.1m shares, up from 19.1m. Aoyama Trading, a clothing retailer, climbed Y440 to Y9,590 on buying by a leading Japanese brokerage house. The company expects a 16 per cent pre-tax profits rise.

Roundup

A SERIES of contrasts presented itself in the Asia Pacific region yesterday, with some equity markets looking confident and others distinctly uncomfortable.

TAIWAN resumed, and accelerated, its downtrend, the weighted index falling 225.58 or 3.8 per cent to 5,713.59 after a modest recovery on Tuesday.

Volume rose from T$33.3bn to T$45.2bn as financials led the way down with a 4.5 per cent drop. Dealers said investors were worried about the Finance Ministry's plans to sell more of its shares in the three commercial banks. Chang Hwa, one of the banks, weakened T$16 to T$278.

KUALA LUMPUR set an all-time high as the composite index gained 4.72 to 635.02 after Tuesday's holiday, 2.80 above its last peak of August 1, 1990. Volume was 86.8m shares, up from 82.2m.

HONG KONG extended Tuesday's moderate rebound. The Hang Seng closed 30.61 higher at 3,625.39 as turnover dropped from HK$1.37bn to HK$1.09bn.

Talk that the airport project negotiations would resume on June 6 brought a 50-point advance by the early afternoon, but rumours of a big rights issue and a further rise in the prime rate this week, following the one-point jump last Friday, pared the gains.

AUSTRALIA lost 0.9 per cent, the All Ordinaries index falling 13.8 to 1,504.4 ahead of national accounts data today. Turnover more than doubled to A$295m from A$142m.

Construction group Jennings shed 3 cents to 86 cents, down A$1.10 from a week ago on continuing speculation about its financial situation and operations in the US.

NEW ZEALAND registered its fifth fall in a row, the Barclays index slipping 22.13 or 1.5 per cent to 1,475.63.

MANILA saw heavy buying of Philippine Long Distance Telephone, which forged ahead 22.50 pesos to 620 pesos following a sharp rise in the US overnight. The composite index rallied 16.25 to 1,183.40, breaking a two-day decline.

Ayala Land was traded over the counter at 29 pesos, a premium of 11.5 per cent on its offering price of 26 pesos.

BOMBAY started well but it was closed by a bomb scare after 20 minutes of trading, at which point the BSE index was 9.43 higher at 1,327.38.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MAY 28 1991								MONDAY MAY 27 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (72)	139.63	−1.1	118.63	121.67	123.26	122.40	−1.2	5.42	141.18	120.96	123.51	125.41	123.90	147.30	112.74	134.79
Austria (19)	198.51	+0.3	168.66	172.98	175.25	175.83	+0.0	1.50	197.85	169.51	173.10	175.74	175.83	222.37	167.00	245.11
Belgium (60)	134.62	+0.1	114.37	117.29	118.84	116.19	−0.5	5.10	134.53	115.26	117.88	119.49	116.78	151.20	121.73	150.78
Canada (117)	138.69	+1.1	117.83	120.84	122.43	115.09	+0.9	3.43	137.15	117.51	119.98	121.82	114.11	141.10	128.49	135.95
Denmark (31)	244.42	+0.6	207.67	212.99	215.77	216.58	+0.0	1.65	242.94	208.14	212.54	215.79	216.51	270.56	217.74	257.04
Finland (21)	115.39	+0.0	98.04	100.55	101.87	98.55	+0.5	2.46	115.34	98.82	100.91	102.46	98.05	125.15	90.61	137.78
France (111)	137.14	+0.9	116.52	119.49	121.06	124.13	+0.2	3.44	135.98	116.50	118.96	120.78	123.83	152.26	121.85	167.13
Germany (88)	115.18	+0.5	97.86	100.37	101.67	101.67	−0.1	2.19	114.63	98.21	100.30	101.82	101.82	125.35	102.43	131.27
Hong Kong (47)	149.15	+1.0	126.72	129.97	131.68	148.31	+0.6	4.61	147.73	126.56	129.24	131.22	147.41	161.77	119.62	126.44
Ireland (17)	154.68	+0.8	131.42	134.78	136.55	138.42	+0.1	4.06	153.76	131.74	134.52	136.58	138.31	182.46	132.88	183.86
Italy (91)	79.96	+0.6	67.94	69.67	70.58	75.42	−0.1	3.15	79.50	68.11	69.55	70.62	75.47	88.23	72.05	106.87
Japan (452)	136.42	+0.0	115.91	118.87	120.45	118.87	−0.4	0.72	136.38	116.85	119.31	121.16	119.31	146.87	118.35	154.92
Malaysia (33)	246.69	+0.0	209.59	214.95	217.76	261.93	+0.0	2.90	246.69	211.35	215.80	219.11	261.93	247.78	192.83	232.59
Mexico (12)	1000.72	+0.0	850.23	872.00	883.42	3273.65	+0.0	0.60	1000.33	857.02	875.13	888.54	3272.38	–	534.45	531.19
Netherland (40)	140.79	+0.9	119.62	122.68	124.29	122.89	+0.3	4.41	139.52	119.53	122.08	123.93	122.52	145.73	125.70	140.82
New Zealand (14)	51.34	−0.5	43.62	44.74	45.32	46.74	−0.6	7.61	51.61	44.22	45.15	45.84	47.03	54.64	41.18	63.90
Norway (30)	207.16	+0.3	176.01	180.52	182.88	186.50	+0.0	1.82	206.49	176.91	180.65	183.42	186.59	223.24	182.24	241.84
Singapore (25)	202.50	+0.0	172.05	176.45	178.76	165.17	+0.0	2.03	202.50	173.49	177.16	179.87	165.17	208.25	151.63	206.98
South Africa (60)	219.29	+1.5	186.31	191.08	193.58	154.62	+0.5	3.70	216.05	185.10	189.01	191.90	153.83	219.29	173.00	195.48
Spain (41)	162.03	+0.3	137.66	141.19	143.03	129.44	−0.3	4.33	161.48	138.34	141.27	143.43	129.79	171.12	131.51	159.21
Sweden (27)	191.09	+0.4	162.35	166.51	168.69	172.49	−0.1	2.54	190.37	163.10	166.55	169.10	172.69	204.12	146.60	210.25
Switzerland (66)	96.93	+1.5	82.36	84.47	85.58	86.87	+0.8	2.25	95.50	81.82	83.55	84.84	86.15	100.67	82.17	104.09
United Kingdom (293)	173.14	+1.1	147.10	150.85	152.83	147.10	+0.2	4.95	171.28	146.75	149.83	152.13	146.75	187.44	156.27	157.44
USA (523)	154.61	+1.1	131.36	134.73	136.50	154.61	+1.1	3.17	152.86	130.96	133.74	135.78	152.86	158.24	125.95	145.76
Europe (935)	141.10	+0.9	119.88	122.95	124.56	122.50	+0.2	3.89	139.90	119.86	122.39	124.27	122.31	161.52	125.50	146.64
Nordic (109)	185.70	+0.5	157.77	161.81	163.93	159.87	+0.0	2.02	184.86	158.38	161.73	164.20	159.90	200.81	155.55	203.95
Pacific Basin (643)	136.73	+0.0	116.17	119.15	120.71	119.72	−0.4	1.06	136.73	117.14	119.62	121.45	120.17	145.92	117.88	153.12
Euro – Pacific (1578)	138.87	+0.4	117.99	121.00	122.59	121.73	−0.2	2.25	138.37	118.55	121.05	122.90	121.92	147.66	121.29	150.69
North America (640)	153.55	+1.1	130.46	133.81	135.57	151.95	+1.1	3.19	151.81	130.06	132.83	134.87	150.25	157.04	125.91	145.07
Europe Ex. UK (642)	121.49	+0.7	103.22	105.89	107.28	108.05	+0.1	3.09	120.57	103.38	105.58	107.20	107.96	129.80	106.85	138.33
Pacific Ex. Japan (191)	139.41	−0.2	118.45	121.50	123.09	125.69	−0.4	4.83	139.75	119.73	122.28	124.14	126.22	145.86	111.40	130.97
World Ex. US (1767)	140.16	+0.4	119.09	122.14	123.74	122.56	−0.1	2.30	139.60	119.60	122.14	124.01	122.70	148.16	122.32	151.04
World Ex. UK (1997)	141.15	+0.6	119.92	123.00	124.62	131.06	+0.4	2.34	140.28	120.18	122.73	124.61	130.59	145.77	120.06	147.12
World Ex. So. Af. (2230)	143.53	+0.7	121.94	125.08	126.71	132.49	+0.3	2.61	142.58	122.15	124.75	126.66	132.03	148.68	122.92	147.73
World Ex. Japan (1838)	149.33	+1.0	126.87	130.13	131.85	139.99	+0.7	3.52	147.88	126.70	129.39	131.38	139.03	152.83	126.69	145.92
The World Index (2290)	143.98	+0.7	122.33	125.47	127.12	132.65	+0.3	2.62	143.02	122.53	125.13	127.05	132.19	149.01	123.28	148.02

Austrian prices were unavailable May 28. Markets closed May 28: Malaysia and Singapore. Latest prices were unavailable for this edition.